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The Washington Monthly

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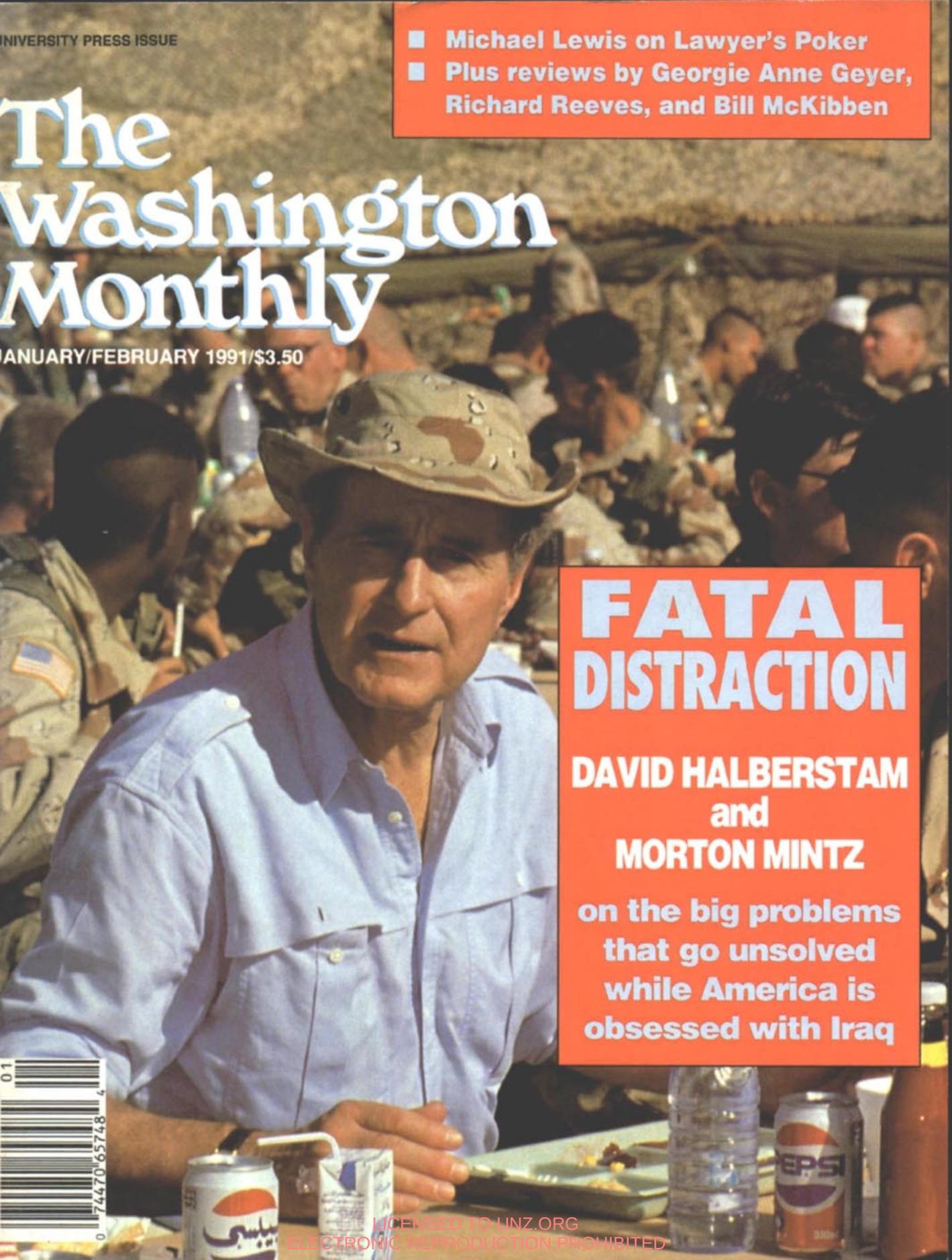

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The Washington Monthly

Volume Twenty-Three, Numbers One and Two January/February 1991

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LETTERS

No invasion without representation

I'm writing to thank you for your last three "Tilting at Windmills" columns which have helped me sort out my feelings about U.S. policy in the Gulf.

Your first column moved me to write my congressmen (all of whom responded with form letters that ignored my questions), so now I'm also writing you to urge you to continue asking questions.

For instance, shouldn't the issue of "burden sharing" apply to America's middle and upper classes, as well as to its allies? That is, shouldn't the "volunteer" Army be declared illegal? As Senator Thomas Eagleton predicted in his 1971 speech, "Blessed are the poor, for they shall fight our wars." America's minorities and poor are disproportionately represented in our military. (After receiving form letters from my congressmen, I called my local ACLU to ask if a class action suit could be applied to the military the same way it was to the death penalty several years ago, based upon the same argument that the poor and minorities are disproportionately represented in its implementation. I was told there was no basis for a suit and that I should write my congressman. . . .)

BOB SUTTON
St. Louis, Missouri

Charlie Peters's shot at me in the December "Tilting at Windmills" is very unfair. I wrote: "Anyone who enters the military against his will or out of a guilty conscience will take the place of someone who is there for more practical reasons. That person may not be grateful to be denied this opportunity so that some yuppie can enjoy an egalitarian moral frisson." That passage was in a piece generally sympathetic to the desire for national service and more or less in accord with *The Washington Monthly* line on war, Vietnam, class, taste, Mary Tyler Moore, etc. etc. etc. The piece also made clear that, like Charlie, I oppose fighting a war against Iraq. The passage in question merely notes an irony—and a practical problem—in proposals to restore the draft. Is total, abject, unquestioning acceptance of the Peters gospel now mandatory to avoid being painted as an elitist snob? And is it really *The Washington Monthly*'s position that people should volunteer to fight and kill in wars they morally oppose? That seems odd.

MICHAEL KINSLEY
Washington, D.C.

The editor replies:

Our main point was and is that, if the sons and daughters of the influential had been in the military, Bush would not have cavalierly committed them to the danger of dying in a bloody war. Kinsley actually grasped this point for a brief moment on "Crossfire" a few weeks ago, but he must have forgotten it as his nimble mind quickly flitted to another clever point. Otherwise he has been consistent in his opposition to the kind of national service draft that the magazine has consistently supported, one that would have assured a fair representation of the upper classes in the military when the Gulf crisis began in August—when their presence could have restrained Bush's recklessness. In fact, Kinsley wrote an article not unrevealingly titled "The Rich Don't Serve—So What?" specifically designed to attack the *Monthly*'s position as part of a special issue we devoted to dissenting opinions by our former editors. (See p. 26 of March 1989 and my reply on p. 52.)

I should add that although our disagreement on this matter is substantial, Michael Kinsley is an old friend for whom I have great affection and respect.

The few, the proud

Thank you for the interesting article by Phil Keisling on the strengths of state legislatures ["Thrills, Spills, and Bills," October]. Rep. Keisling's point of view is likely to be echoed in most state capitols where exceptionally honest, hardworking men and women make government *work*.

At the state level we experiment with new ideas, solve problems, allow citizens to have real input, and are ready to accept new members elected on the strength of shoe leather and work, not media advisers and PAC machines. And, we do it all while balancing our budget!

For bright, aggressive people interested in the challenges and genuine rewards of public service, state legislatures are where it's at in today's political world.

BRIAN D. RUDE
Madison, Wisconsin

Mr. Rude is a state senator in Wisconsin.

Looking for Mr. Mom

How lucky you are to know "examples of modern marriages in which the man does most of the caring for the child" ["Tilting at Windmills," October]. I have lived for a decade in Washington, D.C. and New York City (with a fairly broad range of acquaintances) without finding even one.

As a single woman, I'm happy to cede you my place in the lifeboat. But I think I'm as likely to find myself in that situation as I am to find a husband who'll be what is known as "the primary caretaker."

ELISE O'SHAUGHNESSY
New York, New York

Revenge of the nerds

"Inside Racism" [October, Matthew Cooper] is an excellent review. May I add one thought?

Self-doubt expressed in scorn and even ridicule of ambition is not exclusively a black phenomenon. I remember, for example, an Irish family in the Bronx. The parents were immigrants from Ireland. The father was a motorman on the New York street railways when New York City still had street cars. The mother before marriage had been a domestic servant. Nevertheless, they prized learning and sent their three sons to school and college. All three earned Ph.D.s and are now successful in learned pursuits but recall the derision of their schoolmates for wanting to be better than their station and abandoning their class and people.

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I, myself, raised in a prosperous suburb, remember the scorn accorded Greasy Grinds who did their homework, especially four-eyed individuals, unfortunate enough to need glasses. Scorn of scholarly achievement is, unfortunately, a common American phenomenon.

GEORGE GIBSON
Upper Montclair, New Jersey

Stock response

Now that Carolyn Friday has set us straight on how fixed, loaded, crooked, biased, jaundiced, and prejudiced Wall Street's arbitration procedure is ["The Stupidity of Free-Market Chic in the Stock Market," November], we have her next freelance assignment all prepared: "Rip-off litigants who force legitimate brokers out of the industry."

Portions of the article will deal with: octogenarian arbitrators without the foggiest notion of what is going on; misguided National Association of Securities Dealers officials whose public statements lead arbitrators to believe that anyone with a complaint should walk away from arbitration with "something," and, of course, feeble old ladies who have gone to the arbitration well two, three, or more times—professional litigants—who are often made "whole" by publicity-fearing brokerage firms, even before going to arbitration.

MARK SCHEINBAUM
Palm Beach, Florida

I read with interest Elizabeth Lesly's article about the real estate business ["The Stupidity of Free-Market Chic in Real Estate," November].

Some of what she says is quite true, and I am not writing to debate her. She has correctly pointed out that we do business a little bit differently here in California. Some of the forms in use today are very clear and sensitive to consumer concerns regarding agency, commission rates, and obligations of buyers and sellers.

We are proud of the standard of practice we provide and feel we earn our commissions, whatever the rate.

PETER DRACHSLER
San Francisco, California

Mr. Drachsler is a sales associate for Coldwell Banker Co.

You are right: real estate agents don't represent the buyer. But—with rare exceptions—the person whose interest they have at heart is not the seller; it is their own. They don't get paid unless the deal closes, and almost anything that isn't patently illegal is an acceptable tactic if it accomplishes the sale.

LAURA BILLINGTON
Maple Valley, Washington

Unnecessary roughness

I am disappointed to see that you think a college athlete who has been accused of a violent crime should not be allowed to appear in games ["Tidbits & Outrages," November]. Are we going to punish people before they are found guilty?

DOUGLAS SCZYGELSKI
Dayton, Ohio

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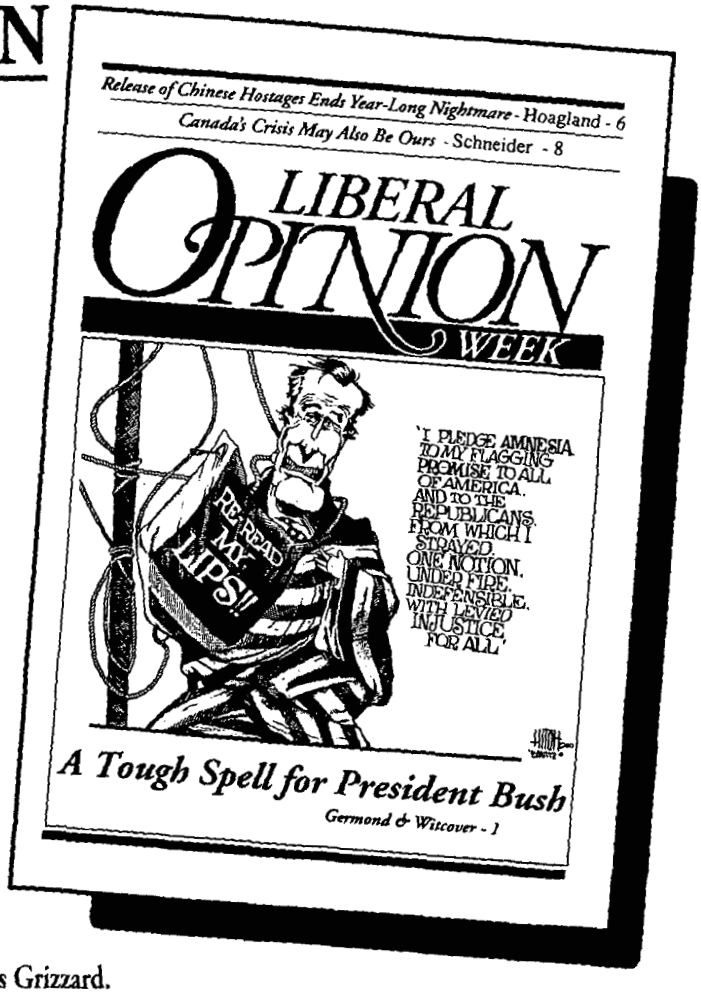

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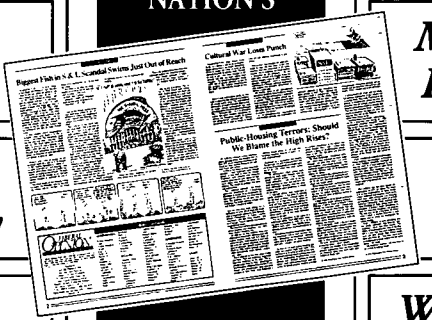

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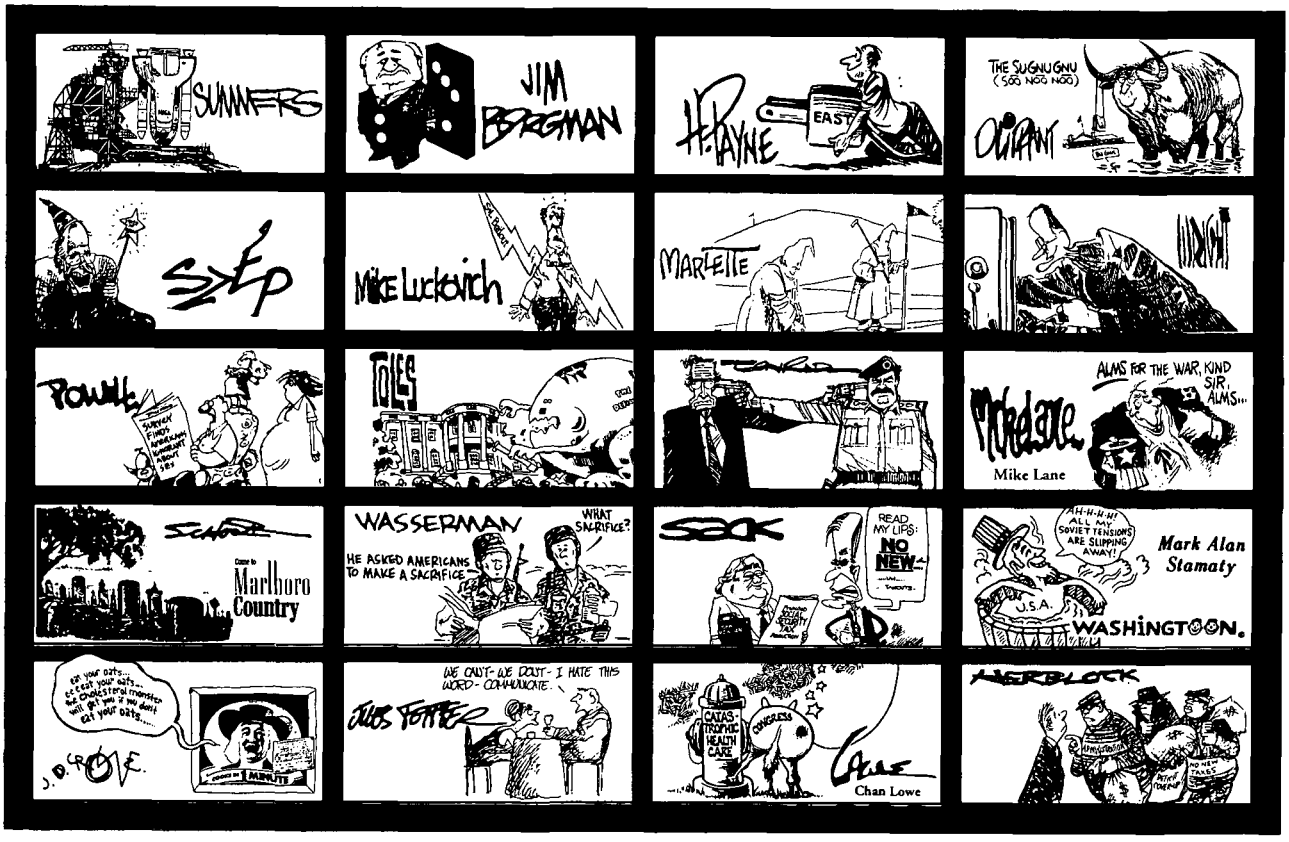

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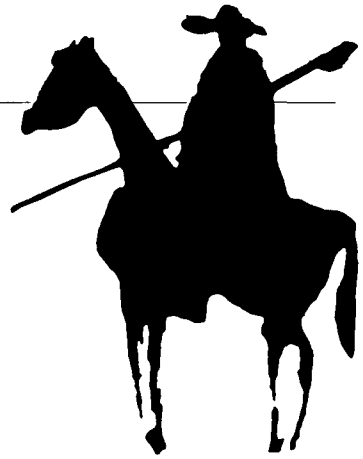
TILTING AT WINDMILLS



At West Virginia University, as at most state-supported institutions of higher learning, residents pay lower tuition than students from out of state. But the higher figure is sometimes waived for students of special academic or athletic promise. An indication of the university's priorities is provided by the fact that during the 1989-90 year, the school awarded waivers worth $875,000 to academic scholars and $1.4 million to athletes. . . .

Now that we have added Hafez el-Assad to our distinguished list of allies, it's interesting to recall that just last spring, Vice Admiral Richard Dunleavy, the assistant chief of naval operations, told a Senate Armed Forces subcommittee: "Right now, I'd be more worried about going against the Syrians than the Soviets.". . .

One of Washington's best kept secrets is the 89th Military Airlift Wing. Does it fly dangerous missions behind enemy lines or engage in some other confidential derring-do? Not exactly. It uses its aircraft to fly the government's top brass—including congressmen, generals, and high officials from the executive branch—to Paris, Abidjan, Calcutta, or anywhere else the fellows want to go. Needless to say, it's more often—much more often—Paris or some other European capital or international resort. These trips cost the taxpayer a pretty penny. Just one flight, uncovered by James R. Carroll of the *San Jose Mercury News*, which carried six congressmen and seven aides to Berlin in December 1989, cost the rest of us $114,608.

But it isn't easy to find such figures. The reason is that the Air Force destroys the evidence, the records that show the cost of these trips, six months after the date of travel. "You just can't store all those records," an Air Force official explains. "We don't have the room." . . .

David Beare was the head of International Trading Group Ltd., which the government has charged with systematic fraud in the sale of commodity options. The court that is overseeing the case has granted Beare $50,000 a month in living expenses that, according to *The Wall Street Journal*, pays for "country club memberships, servants, and maintenance for a dozen cars" and his 30-room mansion and estate complete with swimming pool and artificial lake and "something called a Temple of Love." This sum plus $200,000 a month in Beare's legal expenses is paid out of International's dwindling assets, helping to reduce them by a third since the suit began. So what about the customers who the government says were defrauded?

Consider just one of them, Orion Truver, a retired office manager who lost his life savings after International talked him into investing in soybean and cattle options. While Beare cavorts in his "Temple of Love," Truver survives in a two-bedroom frame house in Hammond, Indiana, living on his monthly pension check. . . .

More than one-third of the $1.5 billion fund set up to compensate asbestos victims has gone to lawyers. A Minneapolis firm charged $208,733 in fees for winning $3,000 in damages. In Louisiana, a federal judge caught a lawyer billing more than 24 hours a day, not just once and perhaps inadvertently, but an unmistakably larcenous six times. And in Illinois, Judge Frank Easterbrook found another attorney billing half his time to a case in which the appeal was pending, a period during which only the appellate court, not the lawyer, has any work to do. And last year a federal appeals court found that more than half of the 6,652 hours of work billed in a Texas case were for work attributed to "revision," "conferences," and "monitoring."

Aaron Epstein of Knight-Ridder, to whom I am indebted for these facts, found that two major causes of inflated fees were overstaffing and unnecessary work. As faithful readers know, I had personal experience with both a few years ago when a congressman who felt the *Monthly* had been a bit too severe in its comments about him engaged a Washington law

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firm to act in his behalf. One of the firm's partners called me and arranged an appointment. When he arrived at my office he was not alone. He had two other lawyers in tow. We proceeded to state our respective positions. This was done in about 15 minutes. Another 15 minutes made clear that there was nothing to be gained by further discussion. I had other work to do and was hoping they would depart. But they just sat there, going over the same ground again and again for another half-hour. Finally they departed. I escorted them to the street where a limousine was waiting to take them back to their office.

I thought for a moment about the fees that would be charged for the limousine, for the hour it waited, and for the half-hour it took to make the round trip to and from the office, and for the one and one-half hours each of the lawyers devoted to the visit, not to mention the time they spent conferring with each other and the client before and after the visit. I figured that the client already owed several thousand dollars for a matter that could have just as easily been handled by a few phone conversations.

When I have told this story before, I have refrained from explaining that the firm involved was not some fly-by-night outfit, but Clifford and Warnke, one of Washington's most eminent legal partnerships. I believe I should have done so earlier and do so now because I am convinced that these practices and the conscious or unconscious cynicism they reflect are not just a problem of a few shady shysters but are also commonplace among the most respected law firms in the nation. . . .

Last month, one of those Christmas gift catalogs that feature such vital necessities as $100 Italian silk scarves from Gucci also carried this injunction: "Dress up your pet for the holidays," and offered a choice of a cat's 14-inch-long strand of pearls "with five silvertone fish or a dog's triple-strand pearl necklace inspired by one worn by our First Lady." . . .

The flawed mirror in the $1.5 billion Hubble Space Telescope was caused by the same management climate at NASA that led to the *Challenger* disaster in 1986.

In both cases, according to a preview *The Hartford Courant* obtained of the final report of the NASA investigation of the Hubble error, lower-level personnel were discouraged from bringing potential problems to the attention of their superiors. (See Scott Shuger's article on p. 16 for another illustration.)

It is precisely for this reason that *The Washington Monthly* has for 22 years been urging the government to find independent channels through which bad news can be communicated. If the officials at the top of the agency don't want to hear the bad news, they won't hear it unless they are compelled to by people they can't fire, such as inspectors general and examiners from the GAO and the OMB. That's why it's so important to improve the problem-identification skills of the people performing the evaluative and investigative functions. And that's why I was driven to despair when I heard Richard Darman's response at a luncheon last month to a question about the kind of people OMB was hiring: "We're getting the brightest young policy analysts from the best graduate schools." The problem is that policy analysts are not trained in investigative skills, and, because they are fresh from graduate school, they lack the experience in government to have any sense of where the bodies are buried. . . .

For me the most disturbing part in all the stories about that collision at the Detroit airport in December was the revelation that planes are permitted to take off with just a quarter-mile visibility. Is the FAA really certain that every pilot of a large passenger jet speeding down a runway will, after he has spotted another plane on the same runway, be able to:

1) correctly perform the mental calculations involved in deciding whether to abort or to proceed with the takeoff, and
2) if he decides to abort, bring the hurtling aircraft to a safe stop,

all with less than 440 yards having been traveled from the moment of the sighting to the moment the plane has completely halted?

I also wonder why the controller didn't stop all traffic immediately when the DC-9 pilot first indicated he wasn't sure where he was. Didn't that mean he could have been in a disastrously wrong place? So why wait until he was clearly in the wrong place to give warning? And why then give the warning only to the DC-9 pilot and not to the others, especially the 727 captain who was about to take off? I have told you many times that the incompetence and cowardice of the FAA threaten your life every time you go near an airport. I hope now you are beginning to believe me. . . .

The problem, of course, is that, as a plane gathers speed down the runway, we all desperately want to believe we are in the hands of capable people who care about our survival. The same is true in relationships with physicians. That is why it was less than heartening to read the *New*

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England Journal of Medicine's recent study of X-rays. In case you missed it, the study found that doctors who own their own machines order four times as many X-rays as those who send their patients to outside radiologists. For example, physicians who owned their machines ordered chest X-rays for 46 percent of their patients with cold and flu symptoms compared to 11 percent for the patients of doctors who made referrals to radiologists. Not only did these bandits take more pictures, they charged more for them—40 percent more than their outside radiologists. . . .

For anyone who has even tried to find an apartment in Manhattan, conclusive proof that the recession has definitely arrived was supplied by this recent headline in the *Times*: "Rent Falling in Many New York Areas, Ending 50-Year Rise." . . .

You may remember that the infamous Willie Horton, having been prematurely let out of jail by the Dukakis administration, proceeded to Maryland, where he committed more crimes. So you would think the Maryland authorities might have learned something from the error of their brethren in Massachusetts.

But last year they let a convicted robber and rapist named John F. Thanos out of prison 18 months early. In the time he still should have been in prison, he has been charged with two murders, an attempted murder, and two robberies. His early release was the product of a bureaucratic error in calculating the credit Thanos was due for good behavior.

Maryland and Massachusetts aren't the only states where the corrections system seems to operate with sublime indifference to the public's safety.

Consider Robert Thiret, who was convicted in 1984 of having sexually assaulted and attempted to murder a 3-year-old girl, whom he left for dead in an outhouse pit. He has been freed by a ruling of the Colorado Supreme Court—freed, not placed on parole—after serving 6 years of a 10 year sentence even though psychologists say he has made "minimal" progress in therapy.

Another case is that of Michael Carl George of Prince William County, Virginia, who was recently convicted of murdering a 15-year-old boy after having tortured him with electric shocks to the groin. George was free to commit the murder because he was released from prison after having served only two and one-half years for killing an eight-year-old boy. . . .

In another example of just punishment, *The Charleston Gazette* has revealed that a West Virginia doctor has been allowed to continue practicing medicine for more than a year after he was convicted of molesting three young girls. . . .

I know one should never do it, but sometimes I can't resist quoting myself. In this case my excuse is the Rivlin Commission report on the District of Columbia, which provides an excuse for me to recycle: "In government, as in human beings, fat tends to concentrate around the middle." The report reveals that most of the fat in the District government is in the middle grades, where deputies and special assistants abound. In the District's Department of Administrative Services, for example, there is a subsection called the Office of Policy and Management with a director and seven employees.

If the office has only seven employees, why, the authors of the report wonder, does the director need a deputy, two special assistants, and an administrative officer? They also wonder why the District needs a bicycle coordinator with two special assistants. And why when the District's population has been static or declining has its number of municipal employees risen from 37,000 in 1982 to 48,500 now. And why does the District need 42 percent more public employees than the average of a dozen other large cities? If your answer is that the District performs more of the functions of state and county as well as municipal government, you should know that the Rivlin commission took special care to allow for that fact in arriving at the 42 percent figure.

The most dismaying fact of all comes not from the Rivlin report but from a recent story in *The Washington Post* about Sharon Pratt Dixon and her security detail. It seems that Dixon was shocked to find that Mayor Barry's security detail consisted of 37 police officers even though the previous mayor, Walter Washington, had gotten along with only 3 or 4 guards. But in a decision that is not reassuring to those of us who admire her, Dixon has determined to keep 18 or 19—and to have a sophisticated fence, security system, and guardhouse erected at her home.

Whenever my wife accuses me of not helping enough around the house, my defense is "I'm better than my father," whose sterling qualities did not include the slightest commitment to domestic burden sharing. I fear that in such matters as security guards, Dixon may be similarly tempted to defend herself with, "At least I'm better than Barry." . . .

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By the way, the brain-dead state of the Washington media has never been better illustrated than in its reaction to the Rivlin report. Almost all of the initial news accounts of the report focused on just one of its many recommendations—that the size of the District police force should be cut. Since the recommendation was counter to the Conventional Wisdom to which most reporters are enslaved, they concentrated their fire on showing how wrong the report was, mainly by interviewing politicians who are also slaves to Conventional Wisdom, producing front-page headlines such as *The Washington Post*'s "D.C. Council Members Assail Police Force Cut." But the fact is that the Rivlin report documents its case against the police with convincing details, which one suspects the reporters didn't bother to read. Just two of its findings illustrate my point:

➤Only 1,800 of Washington's 4,100 officers were on uniformed duty in the police department's seven districts, meaning not more than 1,800 could possibly have been on patrol. And even some of *them* were sitting at desks.

➤Although one in every four authorized patrol positions was vacant, headquarters had six officers for every five authorized positions.

The truth is that the Rivlin report is right in many of its findings about the police and about many other parts of the D.C. government, but the main impression the media left with the public was in the *Post*'s subhead to the "Council Members Assail" story: "Rivlin Report's Findings Met With Criticism." . . .

Do you remember that videotape that showed two white Los Angeles policemen pushing a black man's head into a window shattering the glass? It was shot by an NBC camera crew who happened to be at the scene and was incontrovertible proof of racist brutality. What happened to the officers? They have been permitted to retire. The basis for the retirement: stress related disability. The basis of the stress: They were upset because they were caught in an act of misconduct. . . .

On November 29, in the business section of *The New York Times*, two brief stories ran, one just above the other, in an obscure position among the back pages. But together they made an interesting point. One was about another increase in gasoline prices and the other was about a warning of an oil glut from President Suharto of Indonesia. In other words, gas prices were going up even as an excess supply of oil was at hand.

This would not have happened if the president had reacted to the Iraqi invasion of Kuwait by quickly adopting the *Monthly*'s proposal to hold down prices by selling oil from the reserves and announcing that we would have gasoline rationing if necessary. This would have prevented the tremendous economic harm done to the nation by the rapid escalation of gasoline prices since early August.

That escalation is, according to Alan Greenspan and most other knowledgeable observers, the main factor in turning the slow economy of summer into one on the brink of a dangerous downturn. Yet only a handful of people spoke up in favor of selling oil from the reserves—which Bush didn't do until he made a too-little and too-late gesture in late October—and to the best of my knowledge, no one joined us in favor of gas rationing until early December, when Mary McGrory said a kind word for the idea in her syndicated column. It now appears that the market may, absent war, finally bring oil prices under control. Unfortunately, the market is working too late. Serious economic damage has already been done.

The price to the federal government alone will be—again absent war—at least $50 billion including Desert Shield and such unanticipated consequences as the increases in Social Security and civil service pensions triggered by the oil price inflation. . . .

From the day he let his State Department signal Iraq that a move against Kuwait wouldn't upset us, George Bush has earned our scorn for the mess he's gotten us into in the Persian Gulf. But I have to admit that, since he has sent all those ground troops out there and we are in a mess, I can understand why Bush feels he must stick to his threat of war if Iraq doesn't withdraw from Kuwait by January 15. Even though the deputy commander of Desert Shield, General Waller, has cast doubt on our ability to launch a ground attack at that time, the bluff just might work. Certainly, it doesn't stand a chance if Saddam thinks it is only a bluff.

But—and this is crucial—if it doesn't work, Bush should announce that we will not go to war but that we are committed to maintaining the trade embargo until Iraq does withdraw. In the coming days, we should all devote ourselves to convincing the president that this is a wise and honorable course for which he will be praised, not ridiculed. . . .

—*Charles Peters*

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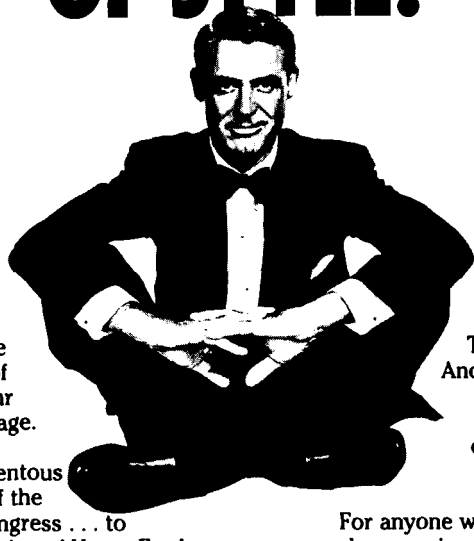

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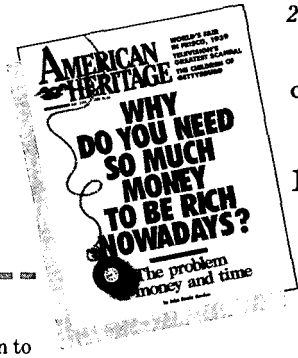

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The Right Priorities for the Nineties

Let's not get hypnotized by the Persian Gulf: Let's start fighting the battles that really matter

by Charles Peters

Practically everyone realizes that Jimmy Carter was wrong to let the hostages in Iran dominate the final months of his presidency. But George Bush is making an even greater mistake in dealing with Iraq. Not only is his own time largely absorbed by the "crisis," but his response to it has been so dangerous that the rest of the nation has had to become absorbed by it too, if only to try to keep the president from getting us into war.

Even if the policy of intimidating bluff that Bush is pursuing works and Saddam Hussein withdraws from Kuwait, it appears that the president is determined to continue to play a policing role in the Persian Gulf that carries with it a continuing hazard of war. And, of course, if the bluff doesn't work, Bush is going to be tempted to use the large force he has assembled in an attack soon after the January 15 deadline of the United Nations resolution.

All this means that we are in danger of paying too little attention to the other serious problems that confront this country. This danger concerns those of us at *The Washington Monthly* enough to prompt us to resolve to make a special effort during the coming months to tug at the sleeves of our fellow citizens and say "Hey, wait a minute, here are some matters you should be thinking about and trying to do something about. They deserve your attention just as much as, if not more than, Saddam Hussein."

Five of the articles that follow are part of this effort. David Halberstam reminds us that if there are nations in the world that we should focus our attention on they are not Kuwait and Iraq but Japan and Germany and our other economic competitors, not only because of the wrongs they are doing to this country but, even more significantly, because of what we can learn about our own weaknesses, like for example our education system, the radical reform of which is far more crucial to our future than the restoration of the emir.

The articles by Paul Glastris and Scott Shuger remind us that with deficits of $320 billion and $337 billion looming before us in 1991 and 1992, even without including the cost of Desert Shield, it is imperative that we find ways to increase revenues and decrease spending. The revenue should come from taxes that do not burden the average worker but instead, as with the significantly higher estate taxes Glastris recommends, merely moderate the affluence of the privileged elite. And huge sums can be saved by junking expensive and useless weapons systems such as the stealth bomber, the fraudulent case for which is exposed by Shuger.

Morton Mintz's article makes a compelling case for the kind of moral capitalism—in this instance in the insurance industry—that *The Washington Monthly* has long advocated. Even though capitalism has now clearly established itself as a better economic system than socialism, capitalism needs to be informed by the kind of conscience and human caring that caused Karl Marx's outrage at the treatment of workers in 19th century England.

When Michael Lewis describes the corrupt lunacy at Finley, Kumble, he reminds us that we cannot continue to countenance the diversion of more of our best and brightest into the morally marginal or positively harmful activities that constitute the principal pursuits of our major law firms any more than we could continue to accept the disastrous follies that another legion of the best and brightest committed on Wall Street during the eighties.

In order to free our minds to deal with these and the other vital issues the *Monthly* hopes to raise in coming months, we must free ourselves from neurotic obsession with what Bush might do in the Middle East. The simple way to do that is to insist that most if not all ground troops be brought home. That way he can't create a disaster, so worry about that possibility won't have to keep us from thinking about the important things.

What concerns me now is that Sam Nunn and many other critics of Bush's rush to Armageddon, even though they are saying "not so fast," are also conceding that ultimately, if economic sanctions aren't working after a year or so, we should take military action against Saddam Hussein. They're wrong.

If Iraq develops and threatens to use nuclear weapons, military action might then be necessary. But only then. Not now. The embargo is the right course. The administration should be concentrating on making it effective instead of arguing that it can't work. □

Charles Peters is the editor in chief of The Washington Monthly.

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The Stealth Bomber Story You Haven't Heard

It doesn't work, and it'll probably crash

by Scott Shuger

It was star date 5027.4 when the *Enterprise* was suddenly surrounded by Romulan spacecraft that swooped in undetected by any of the Federation starship's sensors. Spock, of course, figured out how that happened: "I believe the Romulans have developed a cloaking device." Later, Spock and Captain Kirk were able to infiltrate the enemy commander's vessel and teleport the gadget back aboard. The plan was for the *Enterprise* to use it to slip away unnoticed. But the engineering officer, Lieutenant Commander Scott, soon discovered that this was easier said than done. After working feverishly, Scotty reported to Kirk, "I've got the device installed, but bless me if I know whether it's going to work. It's the biggest guess I've ever made. . . . I don't know whether our circuits can handle this alien contraption."

Well, thanks to cheap special effects, the thing worked perfectly and the *Enterprise* escaped undamaged. But Scotty was right—you wouldn't put much faith in such a revolutionary idea as "cloaking" without doing a lot of testing first.

Scott Shuger is an editor of The Washington Monthly. *Research assistance was provided by Patrick O'Rourke and Craig Weicker.*

And that, in a nutshell, is the difference between Star Trek and the Pentagon.

In the past few years, the Defense Department's most elaborate attempt at cloaking, the B-2 stealth bomber, has certainly drawn plenty of attention for its price tag and the obscurity of its mission. In 1981, the Air Force estimated that a force of 133 B-2s could be procured for $32.7 billion. By mid-1989, that cost had grown to $70.2 billion. When in mid-1990 the Department of Defense (DOD) decided to acquire only 75 B-2s (10 have been funded thus far) it estimated the cost of that reduced purchase to be $62.8 billion. Last September, the General Accounting Office (GAO) concluded that the total cost of buying and operating the 75 aircraft for their likely life span would be around $84 billion. That easily qualifies the B-2 as the second most expensive weapon in American history (first place: the Trident ballistic missile submarine). CIA director William Webster once said that developing the B-2's stealth technology "cost this country over $1 million an hour."

Originally the nuclear-armed B-2 was supposed to

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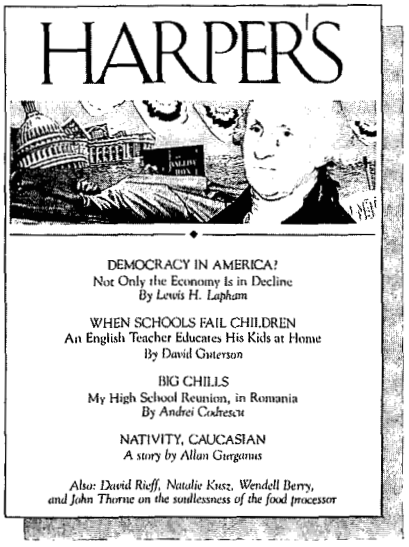
It's not homework.



Just because a magazine is intelligent and challenging doesn't mean reading it has to be hard work.

On one side, there are the general media magazines filled with the usual hype. They spoon-feed their readers the same old easy-to-digest mush. And on the other side are the stodgy, long-winded intellectual magazines. You can find some good reading in them – if you have the time and energy to search for it.

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fly over its Soviet targets at a fairly high altitude, 20,000 feet or so. But only a few years into the project, the plane's wing was redesigned so that it could also fly the same sort of low-level flight profile that is currently used by our B-52s. The B-52s are down there because they can't evade radar detection at high altitude. But it's not clear why a truly stealthy bomber would have to be down on the deck. And in the mid-eighties, the joint chiefs of staff claimed that a clear advantage of the B-2 over land- or sub-based nuclear missiles was that it could locate and attack "strategic relocatable targets," such as mobile missiles. But now the Air Force admits that the plane can't do that without considerable additional investments in sensor technology. For now, the plane could be used only against stationary military targets like command centers and ICBM silos—if there were any left by the time the bombers got over them, several hours after our missiles had already done their work.

But for all the notice that's been paid to the B-2's cost and purpose, there has been remarkably little energy spent on something even more basic: *Will the airplane actually be able to perform as advertised, and has the Pentagon or the contractor tried very hard to find that out?* The sad answers to these essential questions are No and No. That's because in producing the B-2, the Pentagon and the contractor have committed every kind of deception—from intellectual dishonesty through cover-up all the way to criminal fraud.

Edsel in uniform

In 1984, an automated anti-aircraft gun made by Ford called DIVAD achieved a perverse distinction—it became one of the few weapons in the history of the U.S. military to get canceled after reaching the production stage. That rarity was accomplished only because of an extraordinarily phony testing program—or rather, because writer Gregg Easterbrook exposed that phoniness in several justly celebrated articles*. The DIVAD, reported Easterbrook, "won" a "shootout" by scoring 10 fewer hits—at shorter range—than the competing machine, and managing to hit only helicopters—never airplanes. In one subsequent test, DIVAD's radar locked onto a latrine fan. In another, the gun first aimed at a reviewing stand full of top brass observers and then just blasted away into the ground, nowhere near the hovering target helicopter.

All this slipshod "research" ended up costing the taxpayers nearly $2 billion. If the DIVAD scandal had at least produced some lasting insight in the Pentagon about the importance of honest weapons testing, that $2 billion might have been a good investment. Guess again. The B-2 program proves that the defense world's institutional memory is less than six years. The true scandal of the stealth bomber is that it is the DIVAD testing fiasco writ large—in dollars, at least 10 times as large so far. Never before in the history of weapons has so much money been spent on so little performance.

In 1980, when Secretary of Defense Harold Brown and his undersecretary for R&D, William Perry, revealed the concept of stealth, Perry described it as a "technology that makes an aircraft invisible to radar." Soon enough, the papers were confirming that astonishing breakthrough. *The New York Times* was referring to "aircraft that, because of configuration and surface materials and paint patterns, would reflect almost no recognizable radar signals." And *The Wall Street Journal* said stealth allows "fast-moving objects to evade radar detection, giving weapons using it a tremendous ability for surprise attacks." Last summer, this near-invincible characterization was still going strong. General Larry Welch, at the time the senior officer in the Air Force, told the Senate Armed Services Committee that the B-2's technology put its radar return in the "insect category."

There are a couple of things you'd want to know about the B-2 before you bought any of that. One, does it stay in the insect category from all angles and no matter what kind of radars are shined on it? Two, even if it does manage that feat, does it do so without sacrificing the aerodynamic performance—such as stability and range—we'd expect and demand from a nonstealthy strategic bomber?

The disaster of the B-2 is that these good questions have gone an awfully long and expensive time without being answered. And that's mostly because the classification of a "black" program creates such a dense wall between those most apt to ask such questions and those in the best position to answer them. More precisely, blackness is like shutters, with the Pentagon holding the only cord. If DOD has a test result it can present as favorable, it will publicize it. Otherwise, results are not released.

On the surface, it might seem as though these questions are not being overlooked. After all, the current budget authorization for the B-2 makes the release of funds for the procurement of additional aircraft contingent on the satisfaction of certain testing and performance "fences," as certified by the Defense Science Board (DSB). During last summer's debate on the defense bill, Senator James Exon expressed his satisfaction with the "fence" arrangement this way: "One of the major principles we have fol-

*See "Divad," Gregg Easterbrook, *The Atlantic*, October 1982, and "Why Divad Wouldn't Die," Gregg Easterbrook, *The Washington Monthly*, November 1984.

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lowed on this system is to fly before we buy, eliminating concurrency between the testing of developed systems and their production in quantity." But that concurrency is exactly what the B-2 program has spectacularly failed to eliminate. As Senator Dale Bumpers put it, "One of the big mistakes here is that we did not build a prototype." Although the TV and print ads for the B-2 that saturated the nation during the latest budget battle proclaimed that the plane is "America's most thoroughly tested bomber," after $26.7 billion spent over more than 10 years, we still have had no definitive testing of a full-sized B-2 bomber for stealthiness or airworthiness. And it is currently estimated that the Air Force won't complete such testing until 1994—by which time we will probably have appropriated nearly $50 billion. Indeed, B-2 testing is being done so slowly that it will probably be finished 10 to 18 months after the warranties on the already-procured aircraft expire.

B-2 officials will tell you ad nauseum about all the tests they've run using scale models, computerization, and simulation, but when it comes to actually putting a real B-2 in the air, the litany isn't quite so impressive. Even though the first production B-2 was available for flight testing throughout fiscal 1990, that year passed without the fences being cleared. In the two years since the first B-2 rolled out of its hangar, it has flown 87 hours. During that time, the two flyable B-2s now available have together flown only a total of about 100 hours. That's just 3 percent of the test flight hours the plane is supposed to undergo before it can be deemed mission-capable. And the aircraft is only just now beginning to fly against radar—but not against operational radars of the sort our forces or the Soviets employ, merely against special test-range equipment. Flying against real-world detection and targeting equipment won't come for many more months. The GAO says that "if these current schedules are met, it will be at least three years before critical performance requirements have been fully tested. That is the point in testing where problems are typically discovered."

And check out the DSB before you figure it's going to let the chips fall where they may. "Go back and look at how many times the DSB signed off on the avionics on the B-1," suggests one Pentagon skeptic, referring to an electronic countermeasures system that nearly everyone now admits is a total failure. On the DSB sit such disinterested figures as executives of Martin Marietta, Rockwell, Hughes Aircraft, TRW, ITT, Lockheed, United Technologies, and Ford—the creator of DIVAD. There's Donald Hicks, former undersecretary of defense for research and engineering, and don't forget William Perry, who decided a decade ago that stealth makes airplanes "invisible," and who trumpeted his support for the B-2 in a print ad widely distributed by the plane's principal contractors during last year's budget debate.

Test anxiety

There are some respectable reasons to proceed slowly with testing. Safety is the one that immediately comes to mind. But there are less admirable reasons that have had more to do with the testing delay in the case of the B-2. First, there's the perverse idea that slowing things down while money continues to be spent (the budget fences restrict most spending for procurement of new planes, but they don't obstruct expenditures on testing and parts) helps the plane's survival by enhancing what is known around town as the "sunk cost" argument. If you have already spent $X billion, the reasoning goes, you might as well spend $X + Y billion. After all, you can't get the $X billion back by *not* spending more. In an official letter to *Air Force Times*, Air Force Brig. General William B. Davitte made the point quite baldly in defense of the B–2: "With almost one half of the total program cost already committed, it would make absolutely no sense to walk away from this revolutionary program now." Haven't these people ever heard of the distinction between good and bad money, as in throwing the former after the latter?

B-2 testing is being done so slowly that it will probably be finished 10 to 18 months after the warranties on the already-procured aircraft expire.

A related bad reason for footdragging is the fear that realistic and expedient tests would quickly produce bad news. The likelihood of adverse test results

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has been the B-2 nightmare for some time. Within weeks after stealth was proclaimed in 1980, Edward Teller, the inventor of the H-bomb, wrote in *The Wall Street Journal*, "It is a good general rule to make all possible progress in military technology and to worry about countermeasures later. I firmly believe that the present case is an exception. At least one proposal for a countermeasure exists. This method appears obvious and does not even require any extraordinary technological effort in order to allow the Soviets to detect, locate, and destroy stealth bombers." Teller added that the rules of classification prevented him from describing this effective countermeasure. But they wouldn't prevent those in the stealth program from putting Teller's idea to the test. How is it then that a full decade later, we are still many months away from testing the B-2 against operational radars?

Northrop's doctored briefings on the B-2 create an extra problem—remembering which lies have been told to which visitors. But Northrop had a solution: a man in marketing whose job was to keep track of all the lies.

"They have adamantly refused to test it," says Tom Amlie, a Pentagon analyst with many years of experience in radar. There are some pretty fancy counterstealth tests the Pentagon could do but hasn't, such as flying the B-2 against "bi-static" radar, which tries to defeat the low radar signal a stealth plane sends back to the radar transmitter by placing the receiver at a second location, where it is likely to sample a larger return from the plane. Another potential counterstealth technique called "ultra wideband" (UWB) not only isn't being tested against the B-2, but last month the DOD inspector general began looking into charges that B-2 advocates in the Pentagon have actively discouraged UWB research altogether.

More important, there are also some straight-off-the-shelf technologies that DOD hasn't tried on the B-2. "I recommended that they use the Customs aircraft, which has an excellent radar on it," Amlie says. "I flew with them, and we were detecting low, slow, single-engine airplanes at 200 miles. The B-2 people don't want any part of it. And you could do it this week at no cost, because you have an FAA radar right next to Edwards Air Force Base"—where the B-2s are. "I don't believe it's stealthy, but I simply want to see an honest test. I'd like to see somebody besides the Air Force test it. I'd like to see [Senate Armed Services Committee chairman] Sam Nunn's aide standing by the radar when they do it."

I put these straightforward suggestions to Jack Krings, who was the director of DOD's office of operational test and evaluation during some of the crucial years of B-2 development. His answers give you some disturbing indications of what they mean by testing in the Pentagon. "Those radars are not calibrated," Krings replied. "You don't know what they're doing. If you're going to do something that's going to be a critical event, you'd sure like to know what all the players are really doing, so that when you get this amount of data and try to figure out who did what to whom you really know what in fact they were doing." Got that?

But Krings also has other worries. "The flight test airplane when it's put together to go out and do testing has thousands and thousands of devices to measure what it's doing. So consequently it doesn't reflect the configuration of a production airplane in terms of its [radar cross section]. . . . You would not want to test the observability of that airplane when you know that you've got things on it that are going to significantly contribute to its radar cross section—like four or five external antennas transmitting to the ground and also acting as a big radar signature. . . . So you have to take the first or second airplane and try to externally clean it up to the point that it really represents the 10th or 12th or 100th airplane. That's a very significant effort."

Krings's suggestion that having telemetry signals transmitted from a B-2 will artificially aid radar detection is misleading, because those signals are intentionally assigned to frequency bands that are very far away from those occupied by radar. And although it probably would take a little more effort to arrange to have a test B-2 set up to minimize its radar profile, it's an effort well worth making right now since that's the whole point of the airplane. And how hard is it to do this anyway? Why not have one B-2 with antennas for those tests requiring the transmission of

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data back to the ground, and one without them for testing against radar? Or how about one plane with removable antennas?

Krings says that the tests I want to do right now to see if the B-2 is stealthy in any interesting way "just don't have the confidence level and the data" needed. I'd put it this way: These tests probably couldn't prove that the B-2 is stealthy (although they might tend to confirm that) but they might prove that it isn't. Krings bristles at that suggestion. "That's not a level playing field. If you evaluate a certain caliber of judgment you evaluate it both positively and negatively. What you're saying is that I can use it to show that it isn't stealthy, but I can't use it to show that it is. That shows a bias. That would only satisfy people in the press." This is a surprising lapse in scientific reasoning for a man once entrusted with evaluating all the Pentagon's projects. If I'm told that a certain fabric is fire-resistant up to 5,000 degrees, it's not a waste of time to hold a lighted match to a piece of it. If the material doesn't burn, I have learned that it's at least resistant to fires of 1,740 degrees, and if it does, I've learned that it doesn't perform as advertised. When the fabric is going to cost $84 billion, you're a fool not to light that match.

Stealth: the TV show

One military man who understood the value of lighting matches was Chuck Myers. A combat pilot in World War II and Korea, Myers was the Pentagon's director of air warfare in the mid-seventies when he initiated the first stealth program—called "Project Harvey" after Elwood P. Dowd's invisible six-foot rabbit friend. For Myers, the starting point for studying radar evasion wasn't billions in R&D for revolutionary airframes, exotic materials, and whizbang avionics. He wanted to start by testing the tactical utility of planes that achieved very small radar return by . . . actually being very small. The advantage of this was that you could bypass the very expensive and sophisticated steps that planes like the B-2 get mired in and go directly to testing how stealthy planes could be used in combat against different radar setups, etc. And the real beauty was that the plane Myers knew would play this role perfectly—the Fowland Gnat—already existed, and was cheap. Myers figured he could have done all this initial tactical research for about $15 million. Needless to say, this was way too straightforward for the Pentagon—Myers's boss turned down his proposal.

Anthony Battista is an electronics expert who spent 15 years as a staff member for the House Armed Services Committee, finishing up as the staff director for the committee's R&D subcommittee. From the B-2's inception, Battista was cleared into the program and in that capacity, he was able to evaluate the work of the Air Force's project for looking at counterstealth technologies, the so-called "Red Team." He concluded that the Red Team was not making an aggressive effort to pursue its mission, ignoring all sorts of available or promising countermeasures. (A current Hill staff member confirms this, saying that the Red Team is "not that interested in finding defects" in the B-2.)

In the summer of 1989, after leaving government service, Battista wrote a letter to Rep. Ron Dellums in which he summed up some of the limitations on stealth he felt the Air Force wasn't taking seriously. "There are," he wrote, "[radar] technologies that have been around for over three decades that can detect objects with a cross section advertised by the Air Force [for the B-2] with more than adequate reaction time." (One congressional defense aide says that the B-2 can be detected by the radar on the SA-10, a widely deployed Soviet surface-to-air missile, at somewhere between 5 and 15 miles. An academic radar expert states that the Navy's top-of-the-line shipborne antiaircraft radar, the Aegis system, will detect a B-2 flying at an altitude of 20,000 feet at one-third the distance of an ordinary plane—still a distance of 66 miles.) Battista suggested that Congress "require the Air Force to fly an unaugmented B-2 against Soviet radar systems that we have or can acquire or even against some FAA radars." He also pointed out that jet plume emissions from military and commercial aircraft have been picked up on TV and FM radio stations. What this means, he explained, is that there are techniques available for finding airplanes "even if you had a zero airframe [radar] cross section." When Battista's considerations were brought to the attention of Secretary of the Air Force Donald Rice, he brushed them off as "without technical foundation," wisecracking that the Soviets probably didn't have TV and FM stations that could help detect the B-2. Battista responded that if the Air Force would return his security clearance for the B-2 program, he would defend his observations in detail before Dellums's Armed Services Subcommittee on Research and Development. The Air Force never took him up on that. Its "testing" of the B-2 proceeded as limply as before.

Further evidence of the Air Force's closemindedness about B-2 test ideas came last summer when Stanley Weiss, the chairman of Business Executives for National Security, wrote an op-ed piece in *The New York Times* recommending that the Air Force fly the B-2 against the Navy's Aegis cruiser. "Whichever system loses," wrote Weiss, "retires from the . . . game. And the real winner, of course, will be the taxpayer." The Air Force's reaction was a combina-

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tion of highhandedness and obtuseness. Its official response letter quibbled with the system costs Weiss mentioned without saying what was wrong with his test proposal. In November there was a more hopeful sign. The Pentagon had agreed to the idea of investigating how well stealth planes perform against state-of-the-art radars like the Navy's Aegis and the Army's Patriot. But don't look for Sam Nunn's aide at the console any time soon. DOD had merely commissioned a classified three-year study beginning in 1991. What's more, as Weiss subsequently pointed out, the study will be conducted jointly by the Rand Corporation, which enjoys a long and close relationship with the Air Force, and by the Center for Naval Analyses, which is cozy with the Navy. Is it that hard to find qualified people in these matters who don't make their living off the Pentagon? Is it that hard to do something before star date 5027.4?

Sad state of the ARTS

If the Air Force is not exactly shining the harsh light of open inquiry on the B-2, neither is the plane's primary contractor, Northrop. And to this point it's been Northrop that's had custody of the plane and primary control of the testing process at its B-2 offices in Pico Rivera, California and its final assembly plant in Palmdale, California—the Air Force manages the program from Washington and Dayton, Ohio. Generally, there are only two Air Force people stationed at the California B-2 facilities. The program manager rarely comes in from Dayton, and when he does, he gives Northrop advance notice. And Northrop knows what to say when it's warned: "Shhhhh!"

According to one former Northrop B-2 employee—let's call him Bill Boniface—the credo of deception colors every aspect of life at the company's B-2 division. Right down to such nonstealthy items as office equipment. Every month, Northrop sends Washington a list of items on which it is charging depreciation to the government under the terms of its contracts. Boniface discovered that as much as 50 percent of the computers and other office items listed monthly as being in his department—some of them worth hundreds of thousands of dollars—were nowhere to be found. Boniface learned that many supplies were disappearing from the shipping and receiving department. "The classical joke throughout the building," he recalls, "was that the general manager had to order three wastebaskets to get one." Boniface reported these findings to management, but no corrective measures were taken. In fact, he says, very senior corporate officials covered up the discrepancies.

Well, lying about five- or six-figure sums must make it easier to lie about 10-figure ones. At least that's what Boniface observed. Consider what he discovered was going on with the B-2 component called the ZSR-62. As for the function of that piece of equipment, Boniface says that classification rules will permit him to say only that it's an electronic component not associated with flight controls that is essential to the airplane's success. Without it, the B-2 is nothing but an overpriced B-1. Suffice it to say that much of the B-2's advertised stealthiness is supposed to come from the ZSR-62. Well, the problem is that the ZSR-62 doesn't do what Northrop said it would—one insider says it "doesn't work worth a damn." Yet senior management—all the way up to the recently retired chairman Thomas V. Jones—did what it could to keep the Air Force in the dark for as long as possible. (In case you find it hard to believe that the CEO of a major corporation could engage in such wrongdoing, consider that during Watergate, Jones pleaded guilty to a federal charge of making an illegal $170,000 contribution to Richard Nixon's re-election campaign and admitted falsifying documents and lying to a grand jury and the FBI about it.) When a report revealing the ZSR's shortcomings was forwarded to top management, those in the know were ordered to keep quiet about the problem, and all copies of the report were retrieved and destroyed. "They made it very clear to me," says Boniface, "that the Air Force must not know these things." (Boniface thinks that the Air Force may have recently learned the truth and, as a result, canceled the component. If so, he says, "you'd be left with a cargo airplane.")

Another dark secret of the B-2 is that it's not very airworthy. In the attempt to gain stealth, the B-2 gave up two of the traditional sources of aerodynamic stability—a tail and horizontal stabilizers. The hopes for regaining that stability were pinned on a very complicated automatic flight control system called ARTS. Northrop learned a long time ago that ARTS may not be up to it. There are four ARTS units on each B-2, and they are intended to be "quad redundant," meaning that they are supposed to provide four layers of protection against flight control failure. ARTS is a critical flight safety item—if all four units were to fail, the plane would disintegrate in flight due to uncontrollable vibration. The big problem with ARTS is that instead of achieving quad redundancy, it's prone to "cascade failure": if any one of the units fails, each of the remaining three units takes on an increasing chance of failure, which makes a second failure even more likely, and so on, right down to in-flight oblivion. Robert Costello, who was the Pentagon's acquisition boss in the late eighties and who called for canceling the B-2 a week after he resigned from that post

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in May 1989, says that ARTS is "a major concern" and that for safe flight, the system "has to be 100 percent fail-safe—and no system has been." The system was designed to be like having three spare tires, but it ended up being like a car up on four poorly built jacks—the car could fall off one of them at any time and that would make it very likely to fall off them all.

Northrop's senior management was informed of the ARTS problem, but although substantial redesign was required—changes that might have meant a year's additional delay—only band-aid solutions were authorized. Boniface pressed very hard for additional tests on ARTS to try to produce a cascade failure on the ground. Although experiments to induce failures are normally allotted hundreds or thousands of hours, in the end only four hours of such testing were conducted before the B-2's first flight. The Air Force wasn't told about the cascade problem, and they weren't going to be clued in by a flight delay. Shades of *Challenger*! In fact, Boniface explicitly made the comparison in a meeting with senior Northrop B-2 officials almost a year before the first flight, when he referred to the ARTS situation as a "Thiokol ring problem." The vice president with responsibility for the system was irate that the troubles had been hidden from him, but nevertheless the decision was made to keep them hidden from the government. The ARTS problem was not included on the list of flight safety problems forwarded to the Air Force.

"They flew despite evidence of what you'd have to call instability," reports Boniface. "The flight controls are unpredictable and faulty and the tests showed it. But they flew anyway, putting the pilots at risk." The B-2 test pilots were kept as ignorant of the ARTS defects as the *Challenger* astronauts had been of O-ring problems.

Another aerospace source with long experience in black programs—call him Frank Pell—confirms Boniface's account. Northrop, he says, is "years behind meeting any of the objectives of the program."

Beyond confirming the ZSR-62 and ARTS failures, Pell says that the plane also has major structural problems. It was reported in the press that during early flight testing, the plane developed small cracks in some power unit cases. The Air Force gives the impression that this was a minor anomaly, but according to Pell it's just the tip of the iceberg. He says a lot of cracks have turned up in the fatigue tests they run on the "Iron Bird"—a full-scale nonflying model of the B-2 that Northrop uses for ground testing. And mechanics tell him that when they take the planes off the jacks in final assembly to bear their own weight, the windshields crack or pop out. "The damn things," Pell says, "are falling apart." The structural problems are so rampant that Northrop is undertaking a major redesign of the whole backbone of the aircraft.

The concerns about the flight controls and material fatigue have led to the B-2's extremely sluggish flight testing regime. The Air Force has used the phrase "scheduled layup" to denote what have in effect been long grounding periods—like the one that lasted from late 1989 to mid-1990. The two flyable planes are frequently grounded in mild crosswinds, a condition you'll find at any commercial airport much of the time. And this is at Edwards Air Force Base, a test facility chosen for its optimal flying conditions. Industry insiders reveal that the planes have often been towed back off the Edwards runway after unsuccessfully trying to start a test flight.

How likely is it that one of these planes will crash? "I'm expecting one," Pell replies. "And do you know what? They're expecting one too." "Anybody who thinks this airplane is safe," says Bill Boniface, "should be made to fly it."

Lord of the lies

With all these problems, it takes a little extra effort to keep Washington clueless. Northrop's organizational structure suppresses most freelance employee contact with the military officers who come out for their chart-filled "dog and pony show" briefings and lunches. The fear of being laid off for speaking out does the rest.

And the charts themselves are heavily edited. Bill Boniface recalls inserting accurate information on problems with the ZSR-62 and ARTS into presentations being prepared for visiting dignitaries, only to have it yanked out by his corporate superiors. All these doctored briefings create an extra problem—remembering which lies have been told to which visitors. But Northrop had a solution to that too: "There was one man in marketing," recalls Boniface, "whose job was to keep track of all the lies. His job was to make sure that whatever new chart they made up for Air Force officers and congressmen was consistent with the prior ones."

Boniface remembers that when then-Pentagon acquisition chief Robert Costello came out to the B-2 facilities, "his visit was choreographed by a team of 50 people for two months before he got there, so that he'd only be allowed to look at certain things. It was a staged play, not reality. It was planned so that if he were standing in a certain spot, he would only see certain things, and they made sure he couldn't move to other spots. They wouldn't allow him to be in an area where he could question engineers on ARTS or the ZSR-62." Pell says that when then-Secretary of Defense Frank Carlucci visited Palmdale in 1988, he

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was told that there was a working aircraft in the facility that was just about ready to roll out. This was false. But that didn't stop Northrop from *pretending* to have a working B-2. Workmen descended on one far-from-completed plane and hastily buttoned up all the loose wiring and open panels in its cockpit with cheap rivets. Nobody mentioned that the pilots' seats weren't even bolted down. And they lit the cockpit displays by running power cables out to a trailer. When Carlucci took his tour of the plant, he was allowed to stick his head in the aircraft. Imagine all the false beliefs planted in the Pentagon as a result of that trip.

Over the years, Northrop has conducted many other B-2 charades in the same spirit. Often, when contract "milestones" approached, requiring the completion of some task or component before more money could be released, inspection records would be stamped en masse—without the inspections actually being done. And frequently, testing software was rigged so that if the performance level of the tested part—the voltage on an ARTS circuit, say—fell below acceptable levels, the actual value wouldn't appear on the printout—an acceptable reading would appear instead. Sometimes, says Pell, Northrop spent more money rigging the software than it did trying to make the tested component work. The Pentagon is very vulnerable to the jiggered software ploy because it has shifted its emphasis in weapons testing away from hands-on work and into computer monitoring and simulation.

When Northrop finally realizes that they have a serious problem with an essential component on the B-2 like the ZSR-62 or the ARTS, problems that can't be hidden indefinitely, the company does not at that point hold a come-to-Jesus meeting with the Air Force. Instead, that's when the company displays a knack for suggesting to the Air Force that the system needs to be "improved" because of some new "threat." Pell says that Northrop has now convinced the Air Force to fund the "next generation" ZSR-62 and ARTS. "That gets them the money and buys them the time to try to [fix] what was supposed to work in the first place."

In short, Northrop's B-2 program is infested with the same sorts of fraudulent testing that the company pleaded guilty to earlier this year when it admitted faking tests on stabilizing sensors for the Air Force's air-launched cruise missile and the Marines' Harrier jump jet—parts essential for safe and dependable operation. Frank Pell thinks the company's penchant for deception in weapons testing has deep historical roots. After World War II, the firm's founder, Jack Northrop, got a contract to mass-produce a plane called the "Flying Wing" as the main strategic bomber for the Air Force. Then abruptly, the Air Force canceled the contract and even made Northrop destroy the seven bombers it had already built. At the time, when questioned about this reversal by a congressional committee, Northrop denied that the Pentagon had done anything untoward in changing its mind. But 30 years later, in a television interview, Northrop admitted that he'd committed perjury when he said that. What really happened, he confessed, was that then-Air Force Secretary Stuart Symington had wanted Northrop to merge his company with another bomber manufacturer, Consolidated Vultee, and when Northrop refused, the government punished him by giving away his bomber contract to Consolidated. In the ensuing years Northrop dwindled down to a marginal defense contractor, handling many secondary contracts, but somehow always missing out on the big projects. All that time, says Pell, Northrop executives nurtured the hope that "someday, we're going to build a plane that the government wants so bad, we can take them to the cleaners and make up for all the past disappointments." Now you know what that plane is—and by the way, it looks an awful lot like the "Flying Wing."

No more stealth-service

To break free of such disastrous deceptions, which give us nothing but military weakness, we must transfer weapons testing from the defense contractors to truly independent outside evaluators. Surely, disinterested academic experts would be glad to serve this money-saving, nation-strengthening cause. Instead of slamming doors marked "Top Secret" in their faces, let's invite them in to help do some of the nation's most important work. And how about allowing more press coverage of weapons tests? Yes, this would mean that our potential enemies could keep better track of our failures, but if the Pentagon knew its weapons tests were regularly covered, it wouldn't be so willing to coddle losers—so loosening press restrictions would actually strengthen our arsenal. And there are plenty of experts in uniform who can help out too—if we use them creatively. The trick is to abide by one simple rule: No officer can evaluate his own service's weapon. In college football, Air Force's big games are not against some intramural squad called the "Red Team"—they're against Army and Navy. Let's try the same idea with weapons: By all means, let the Navy and the Army tell you how it would attack the Air Force and vice versa. Doing that will bring to bear the sort of tactical realism that's too often missing from weapons testing today, while eliminating the service parochialism that has made it a sick joke. □

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WHO'S WHO

The General Services Administration buys furniture and supplies and rents buildings for the rest of the government. This is why its administrator, **Richard G. Austin**, and his entourage of five staff members had an excuse to attend the International Conference on Office Accommodations in Amsterdam. The trip cost the government $22,000 and included visits to a palace and a museum in the Netherlands and to a castle and a national park in Dublin. . . .

One of the leaders of the Kuwaiti PR team in the United States is **Craig Fuller**, who was chief of staff for **George Bush** when Bush was vice president. Among the Democrats involved is **Frank Mankiewicz**, who is employed by Fuller's firm, Hill & Knowlton. . . .

White House ghost writers, enamored of **Margaret Thatcher**, sent the fallen prime minister a dozen long-stemmed roses with a card that read, "With much respect and admiration." . . .

Dan Quayle's good friend and former campaign chairman, **Daniel Evans**, is the administration's choice to be the next chairman of the Federal Housing Finance Board. One problem that concerns critics of the appointment is that Evans wants the job to be part-time so that he can continue to earn fees from his law firm, Baker & Daniels. Federal ethics rules would permit Evans's firm to represent the savings & loan associations that are lent money by the Federal Home Loan Banks that Evans would in his new job oversee. This is a situation that has more than a few conflict-of-interest possibilities. . . .

Wendell Ford, whom Senate Democrats elected to replace **Alan Cranston** as majority whip, does not appear to represent a significant ethical advance from the recent practices of his predecessor. He is best known for his devotion to the interests of the tobacco, horse racing, and coal industries of Kentucky. . . .

White House officials are becoming increasingly uneasy about the high-profile broadsides directed at Bush's Persian Gulf policy by Senator **Sam Nunn**, the conservative Georgia Democrat they consider more of a threat to Bush's 1992 prospects than Governor **Mario Cuomo** (who hardly received a mandate from voters last November). Top administration advisers vetoed sending Secretary of Defense **Dick Cheney** to testify before Nunn's Armed Services Committee for fear that his appearance would create a duel between Nunn and Bush. It was only after the favorable UN vote authorizing military action against Iraq that they reversed course and allowed Cheney, along with **Colin Powell**, chairman of the Joint Chiefs of Staff, to appear before the panel. . . .

Many Washington wags thought **Dick Darman**, the OMB chief, was delivering his valedictory when he mocked the New Paradigm, the term that has captured conservative ideologues like **Jack Kemp** and **Willliam Bennett**, who favor vouchers for schools, "enterprise zones" for housing, and tax breaks on capital gains. But Darman, who also ridiculed White House aide **Jim Pinkerton**, the architect of "empowerment" for the people, has tried to patch things up with Kemp and Rep. **Newt Gingrich**, who also attacked Darman's speech as "technocratic nihilism." Bush is expected to utter the big E word but not the P word in his State of the Union message. . . .

Roger Porter, Bush's economic and domestic policy assistant, helped in the effort to torpedo Darman by dispatching aides **Charles Kolb** and **Lawrence Lindsey** to leak anti-Darman fodder to the press. . . .

GOP conservatives don't have a corner on the paradigm thing. Last September, the neo-moderate Democratic Leadership Council featured an article in its bimonthly publication by **Elaine Karmack**, a fellow at the Progressive Policy Institute, pushing the same paradigm. . . .

The CIA's new deputy director for operations—the man in charge of spying and dirty tricks—is **Thomas Alan Twetten**, whose qualifications include having served as the CIA's liaison to **Oliver North** during the Iran-contra affair. . . .

Sig Rogich, the president's image maker, has installed a big TV recording studio on the fourth floor of the Old Executive Office Building. Bush has used the studio, replete with a backdrop of fake books, for interviews with foreign journalists. . . .

Sharon Pratt Dixon's honeymoon as Washington's new mayor may be short-lived. **John Wilson**, the chairman of the city council, who because he shares her skepticism about the city's bureaucracy should be her ally, doesn't respect her advisers and is especially disdainful of her proposal to raise the salaries of top officials. . . .

Secretary of Transportation **Samuel Skinner** upset Senator **Bob Dole** and other farm state lawmakers by proposing the abolishment of a $300-million annual tax break for ethanol producers. Dole is good friends with **Dwayne Andreas**, chairman of Archer Daniels Midland, which is the largest producer of ethanol in the country. . . .

After months of unsuccessfully trying to move into the West Wing, **D. Allan Bromley**, the president's science adviser, finally got his big office last November—for one week. **John Sununu** had other plans for the space. Bromley is now back at the Old Executive Office Building. . . .

In—*Justice*: Counselor to the Attorney General—**Mike Luttig**. *Education*: Secretary—**Lamar Alexander**. *Labor*: Secretary—**Lynn Martin**. *Treasury*: Comptroller of the Currency—**Robert L. Clarke** (reappointment). *Agencies and Commissions*: Office of National Drug Control Policy, Director—**Bob Martinez**. Office of Consumer Affairs, Director—**Ann W. Wallace**.

Out—*Commerce*: Assistant Secretary for Policy—**Wayne Berman**, Assistant Secretary for Trade Development—**Michael Skarzynski**. *Education*: Secretary—**Lauro Cavazos**. *Health and Human Services*: Assistant Secretary for Public Affairs—**Kay James**.

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MEMO OF THE MONTH

1990 Jul 12 at 11:17 EDT

To: [redacted] [redacted]

From: [redacted] [redacted]

Subject: IBM Ball replacement.....

I thought this was pretty funny. This is a true IBM ordering information quote from one of their catalogs. Pass it on.....

This is an actual alert to IBM Field Engineers that went out to all IBM Branch Offices. The person who wrote it was very serious. The rest of us guys find it rather funny.

Abstract: Mouse Balls Available as FRU (Field Replacement Unit)

Mouse balls are now available as FRU. Therefore, if a mouse fails to operate or should it perform erratically, it may need a ball replacement. Because of the delicate nature of this procedure, replacement of mouse balls should only be attempted by properly trained personnel.
Before proceeding, determine the type of mouse balls by examining the underside of the mouse. Domestic balls will be larger and harder than foreign balls. Ball removal procedures differ depending upon manufacturer of the mouse. Foreign balls can be replaced using the pop-off method. Domestic balls are replaced using the twist-off method. Mouse balls are not usually static sensitive. However, excessive handling can result in sudden discharge. Upon completion of ball replacement, the mouse may be used immediately.
It is recommended that each replacer have a pair of spare balls for maintaining optimum customer satisfaction, and that any customer missing his balls should suspect local personnel of removing these necessary items.

To re-order, specify one of the following:

P/N 33F8462 - Domestic Mouse Balls
P/N 33F8461 - Foreign Mouse Balls

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THE SECRET SOLUTION TO THE DEFICIT

What the rich don't want you to know: A fairer tax code would take more from the estates of the affluent

by Paul Glastris

Democrats have been congratulating themselves for out-maneuvering President Bush during this fall's budget battle with tax increases that "soak the rich." But while Rep. Dan Rostenkowski was capturing headlines with his plan to slap a tax surcharge on millionaires, he and Senator Lloyd Bentsen were quietly widening a loophole for those who earn their wealth the old-fashioned way: through inheritance. The two respected committee chairmen reopened an arcane loophole called the estate tax "freeze" that in effect allows private business owners to pass on large portions of their companies to their heirs without paying estate taxes. Total cost to the treasury: at least $775 million over five years. The Democrats taketh, the Democrats giveth away.

For whatever reason, estate taxes as a revenue raiser is an idea that now seems verboten, out of bounds, off the political agenda in Washington. This is folly. Even with the new budget accord, the federal debt, currently $3.2 trillion, will rise to at least $5 trillion by the end of the decade. It's tiresome to repeat the painfully obvious, but greater spending cuts and more taxes are going to be necessary soon. Why exempt wealthy inheritors from this burden?

Of course any kind of tax increase, if taken too far, can damage the economy, and conservatives will eagerly summon arguments against estate taxes that liberals must face squarely. Yet the $10 billion Americans pay in estate taxes annually represents only about 5 percent of the estimated $200 billion they bequeath each year, hardly a confiscatory sum. Moreover, of all revenue sources, estate taxes are among the least disruptive to the economy's productivity. In fact, higher estate taxes might even be *good* for economic growth, in ways that go beyond the obvious benefits of reducing the federal debt.

Paul Glastris is the Midwest correspondent for U.S. News & World Report *and a contributing editor of* The Washington Monthly.

Trillions from heaven

This is a particularly opportune time to increase the estate tax, because inheritance in this country is entering a boom phase. Members of the World War II generation, people between the ages of 50 and 75, have done extraordinarily well for themselves. According to 1986 Federal Reserve data, Americans over 50 have a collective net worth of more than $8 trillion, not counting generous pensions and Social Security and Medicare benefits. Their great affluence provokes envy in their children and dwarfs what their parents accumulated. Thirty years ago, only the top 10 or 15 percent of older Americans had significant wealth to bequeath. Today, the upper quarter or third of older families are in that position.

Frugal habits learned during the Depression

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helped build this fortune, but simple good timing is the main explanation. The World War II generation entered the work force at the dawn of the famous postwar economic boom, when wages and salaries were rising. They bought homes when prices and mortgage rates were low. The affluent among them were also the main owners of stocks, private businesses, and other assets that soared in value during the eighties.

Despite this tremendous surge of wealth, the reigning wisdom on Capitol Hill is that higher estate taxes won't garner much extra revenue. The Congressional Budget Office (CBO), whose numbers Capitol Hill relies heavily on, projects at most $15 billion over five years in extra revenue from two key changes in the estate tax. That's not what Washington calls Real Money, or at least it's not seen as worth fighting for.

That $15 billion figure, however, is misleading. For complicated reasons, the real payoff from an estate tax change today won't begin flowing for 5 or 10 years. By the year 2000, say some federal economists, the treasury will have collected about $80 billion—Real Money by anyone's measure.

Angel of death

The two changes CBO analyzed have long been recommended by tax reformers. The first involves cutting the exemption the IRS grants everyone when they die. In 1981, thanks to Reagan-inspired tax changes, the amount a person can bequeath tax-free rose from $175,000, the median price of a home in the Northeast, to an impressive $600,000, the cost of two homes plus a Ferrari. The law also allows couples who utilize the "unlimited marital deduction" to shield $1.2 million of their estate from the tax man (plus more if they exploit a "gift tax exemption" before they die). The number of estates subject to tax sank from 10 percent before the 1981 law to less than 3 percent today.

Why should millionaires be allowed to escape paying a dime in estate taxes? A million dollars doesn't buy what it used to, but anyone who has it still ranks in the top one-half of 1 percent of households. For that matter, why shouldn't the wealthiest 10 percent of the country contribute at least something in estate taxes? Cutting the exemption in half, to $300,000, would do the trick. And it would allow the vast majority of Americans to leave all their wealth—their houses, cars, bass boats, and sundry bric-a-brac—to their children and grandchildren tax-free. (It's probably best to index that $300,000 to inflation, out of fairness as well as political expediency: Rebellion against "bracket creep" fueled the 1981 drive to raise the exemption in the first place.)

The second change involves President Bush's favorite subject: capital gains. Let's say one of the president's duck-hunting buddies—call him James—buys a defense industry stock for $10,000. If he sells it 10 years later for, say, $50,000, he owes Uncle Sam taxes on the $40,000 "capital gain." But if he dies and leaves that stock to his daughter, and she sells it for $50,000, she pays no tax at all. (If she sells it later, she pays capital gains tax only on the amount the stock has appreciated since she inherited it.) Thanks to the magic of the estate tax code, that $40,000 capital gain disappears.

Michael Kinsley of *The New Republic* calls this the Angel of Death Loophole; eliminating it would bring in $5 to $10 billion in taxes per year. This would also move the tax code towards the reformist dream of equal treatment for all forms of gain (wages, interest, capital appreciation). And it would have built-in progressivity, because on average the greater your net worth, the more likely your estate is to consist of unrealized capital appreciation.

There's one final idea worth considering: adding entitlements to the estate tax equation. The World War II generation's fortunes are being partly underwritten by Social Security and Medicare benefits far in excess of what the recipients contributed. The way the system works now, a 30-year-old grocery clerk is taxed so that a wealthy 70-year-old stockbroker can leave an even bigger estate to his already affluent kids. This inequity could be reduced if, when valuing estates for tax purposes, the government would include the lifetime entitlements a person or couple received in excess of what they contributed, plus interest. Such an accounting would generate billions in extra revenue, and most people would pay nothing, since the $300,000 exemption would still apply.

You can already hear postal workers groaning under the weight of the millions of direct-mail letters that would be generated if this idea were even hinted at on Capitol Hill. Still, it could work. And proposing it could spark a debate that might lead to a simpler solution now considered too hot politically: full taxation of Social Security benefits and a sliding scale for Medicare premiums, based on ability to pay.

Opportunity knocks

Liberals have always justified estate taxes with a philosophical and essentially conservative argument. In life's race, they say, the government cannot and must not guarantee equal *outcomes*, but it should make the game reasonably fair by equalizing *starting positions*. What better way than by taxing estates,

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which give tremendous unearned advantages to inheritors, and by spending the money on public efforts that benefit everyone, especially the poor?

Over the years this idea has been challenged by some who argue that inherited wealth isn't that much of an advantage because it is hard to hold on to. Fortunes dissipate over generations as markets fluctuate and lazy, inept heirs take their toll. Rags to rags in three generations, and so on.

The truth seems to be that fortunes do dissipate, but slowly. Paul Menchik, a Michigan State University economist who has done the most definitive study of the subject, summarizes his findings thusly: "If your father was 10 times richer than my father, you can expect to be 7.5 times richer than I." The superior educations, connections, and earnings that come to children of wealth explain part of this, but raw dough clearly plays a role: Rich kids with lots of siblings, among whom the patrimony must be divvied, don't do as well as rich children from smaller families.

The "equal opportunity" argument, then, still makes sense. But the current budget mess offers more immediate and concrete reasons for favoring higher estate taxes. There are the obvious benefits of taming the federal debt—lower interest rates, and lower interest payments on the debt itself. Beyond that, stiffer estate taxes could bring some surprisingly positive jolts to the economy.

Taxing capital gains at death, for instance, would improve markets by eliminating what economists call the "lock-in effect." Knowing that he must pay taxes if he sells a stock before he dies, James may be tempted, as he grows into old age, to let his daughter capture the tax-free gain. So he may hold on to his defense stock, even if it's now a dog because the Cold War has ended. Take away the loophole and he would have a greater incentive to sell and invest the after-tax proceeds in a more profitable and productive venture, such as a new business. "If you're looking for a policy that improves market incentives and raises government revenues," says Henry Aaron of the Brookings Institution, "this is just what the doctor ordered."

Tougher death duties might also alter the bad habits of high-living baby boomers, the people who stand to inherit the bulk of that $8 trillion. A study by economist David Weil of Brown University found that those in 1984 who expected to receive a bequest spent more and saved less than those in the same income bracket who did not expect to inherit. Makes sense: Why save when your parents are doing it for you? Princeton economist Alan Blinder believes stiffer estate taxes would almost surely prompt younger Americans to curb their acquisitive appetites and become a bit more frugal, a positive turn for the nation's soul and its economy. Those who would feel the sting are baby boomers who grew up in affluent homes and are living the good life even before they inherit. A study of the legacies of parents who died in 1982 with $1 million to $2.5 million net worths found that their children, who inherited $238,567 on average, already enjoyed incomes of $40,581, nearly double the median family income for that year.

Soak the dead

Most of the arguments against estate taxes—the case you *would* have heard had there been any debate this fall—have about them the distinct odor of red herring. Conservatives, for instance, love to charge that estate duties are inherently unfair because they amount to "double taxation": The wealthy have presumably already paid their fair share through the income tax. The person who paid the income tax, however, is dead. He who receives the inheritance has paid nothing on it, save the estate tax. Calling this "double taxation" amounts to arguing that the IRS should tax extended families, not individual households. By that logic, every household would be in a higher income tax bracket. Yet, these same conservatives hypocritically support shifting the tax burden from income to sales taxes; there is no better example of double—and regressive—taxation than taxes on consumption. Finally, the "double taxation" argument ignores capital gains at death, on which, under the present system, nobody pays income tax.

Another favorite objection is that estate taxes undermine family farms and businesses by forcing the heirs to liquidate their enterprises just to pay the tax. Many people who make this argument will turn around and defend leveraged buyouts, which saddle firms with debt-service burdens far more onerous than estate taxes. Even assuming that privately owned firms are somehow preferable to publicly traded ones, this would be a serious objection—if it were true.

In fact, it almost never is, in part because business lobbyists have extracted so many government breaks to make sure it doesn't happen. The estate tax "freeze" loophole in this fall's budget package is one example. Another lets those who inherit family businesses take 15 years, at very favorable interest rates, to pay off their taxes (you at home, don't try this on your income taxes). Another loophole enabled the late Malcolm Forbes to avert the sale of his magazine empire by purchasing insurance policies that paid off the estate tax.

Ultimately, there are only two arguments against stiffer estate taxes that should be taken seriously. The

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first concerns entrepreneurship. Like it or not, the sons and daughters of the well-to-do have easier access to the most important tool for starting a business: capital. Using British data, David Blanchflower and Andrew Oswald, economists at Dartmouth College, recently found that young people who receive gifts or bequests are as much as three times more likely to become self-employed than those who inherit nothing.

Does this mean that higher estate taxes could damage small business start-ups, those engines of job growth? Yes and no. The same study also found that relatively small amounts of money make all the difference. Specifically, inheritances higher than $75,000 did not make people any more likely to become entrepreneurs. The lesson seems to be that protecting small inheritances is good for the economy. A $300,000 exemption would suffice.

The other serious concern involves the now-familiar issue of incentives. "One of the motives that drives people to create wealth," contends supply-side economist Paul Craig Roberts, "is to build an estate for one's children that will leave them on a better footing." This may be true. The question is: How true?

If there is a strong "bequest motive" that affects a person's spending and savings patterns, economists have had trouble finding it. In government surveys, two out of three people *say* they intend to leave bequests. But a recent study by economist Michael Hurd of the State University of New York at Stony Brook found that elderly people with adult children spend their wealth just as quickly as those without children, even though the former would presumably have more incentive to save in order to bequeath. "This doesn't mean that parents don't love their children," says Hurd, only that for most of us, the urge to leave a bequest is not very high up on the list of reasons why we go to work every morning.

A century ago, inheritance may well have been a more powerful motivator. Back then, explains John Langbein of the University of Chicago Law School, assets in the form of a farm or a firm "rescued you from a mean life of stoop labor in someone else's field, mill, or household." But in today's knowledge-based meritocracy, education and connections are the real arbiters of success, and parents generally provide these long before they die.

Conversely, where parents once depended on their children for support in their old age, today they are afraid of *having* to depend on their children. The primary reason older people worry about money has shifted dramatically from providing for their heirs to saving for their own retirement, a motivation which estate taxes don't affect at all.

Given that government has to collect revenues, a tax on estates, which is paid only after the asset holder dies, is far less likely to sap the nation's overall desire to work, save, and invest than higher taxes on income or consumption. Perhaps some people, particularly the wealthiest older Americans, will curb their pursuit of profitable investments somewhat. On the other hand, higher estate taxes might encourage them to work harder in order to leave the same size bequests. No one can say for sure. But it's worth noting that there are good things to do with wealth besides creating more of it for yourself.

So thought Andrew Carnegie. The steel magnate was a great champion of capitalism and the fortunes created with it, but he was also keenly aware that the accompanying disparities of wealth were a moral and spiritual peril to the nation. A century ago in his now-famous essay "The Gospel of Wealth," Carnegie proposed a solution: All those who create fortunes, he said, should devote their money, as well as the latter part of their lives, to doing good works in the community, such as building and running libraries and hospitals in poor neighborhoods.

Carnegie was an idealist, but he was no fool. He knew the rich needed a prod, so he advocated one: stiff estate taxes. Today, there are a dozen good reasons to raise the estate tax, none as inspiring as Carnegie's vision. "The gospel of wealth," he wrote, "but echoes Christ's words. It calls upon the millionaire to sell all that he hath and give it in the highest, best form to the poor by administering his estate himself for the good of his fellows, before he is called to lie down and rest upon the bosom of Mother Earth."□

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TIDBITS & OUTRAGES

AND RUMOR HAS IT THERE WAS ALSO SOME UNACCOUNTED-FOR BABYSITTING MONEY

According to *The Wall Street Journal*, when Jim Murrell started falling behind his 18-year-old opponent, John Payton, in their race for justice of the peace of Plano, Texas, Murrell hired a public relations firm to spread the news about Payton's attendance problems at his high school and his troubles on part-time jobs at a local golf course and a fast-food restaurant.

DON'T LEAVE ROME WITHOUT IT

The Chevy Chase (Maryland) Federal Savings Bank notified the Luther Place Memorial Church of Washington, D.C. that it had reserved a gold card with a $6,000 credit line for Martin Luther.

AFTER ALL, THEY DIDN'T MAKE ANY SENSE PLAYED FORWARD

Senate Foreign Relations Committee Chairman Claiborne Pell has an aide, C.B. Scott Jones, who draws a staff salary of $50,000 a year to study "paranormal phenomena." Jones recently wrote a letter on Senate stationery to Secretary of Defense Dick Cheney asking if there was any national security significance attached to the word "Simone," which Jones claimed to have heard when certain speeches by President Bush, Secretary of State James A. Baker, and Cheney were played backwards.

DEFLATION

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COMING IN FROM THE COLD WAR

To make the American economy competitive, we have to shake off our longstanding political, educational, and psychological hang-ups

by David Halberstam

The years of the Vietnam war—1965-1976—cover the true surge of the Japanese economy. My clearest memory from 1967, pre-Tet, was of thousands of Americans wandering around Saigon in combat gear and hundreds of Japanese businessmen in their civilian clothes doing business in the city's best hotels and eating at the city's new Japanese restaurants. What seemed like thousands and thousands of young Vietnamese men and women were riding around on Honda motorbikes. There was only one conclusion: We were obsessed with the Cold War and then the hot war, but the Japanese were obsessed with commerce.

One incident will suffice to show the different visions of the two nations at that moment. It was a conflict that took place within the small American business community in Tokyo in the mid-sixties. Frustrated senior American businessmen there complained to their embassy that the Japanese, who they knew were in the midst of a prolonged boom, kept their own markets closed, even as they set their sights on exporting their way to becoming a world-class industrial superpower. The top diplomats at the American embassy barely listened to them. They had a different agenda for Japan, one set in Washington by the people at Defense and State: to use whatever leverage we had in Tokyo to keep the Japanese lined up as a rhetorical ally during Vietnam, using all our influence to get them to do what they were going to do anyway. The commercial attache at the embassy, who represented the American businessmen, did not have the clout to change the decision. The Japanese, as the saying then went, had to be kept on the team. At the moment we had maximum leverage in Japan, we wasted it. It was an odd collision of perceived national interests with real national interests, and perceived national interests always won in the Cold War.

It was as clear an example as I can think of to show the difference between Japan and the United States: We, the culture of affluence, with our abundant resources, were a political society; the Japanese with their difficult, inhospitable conditions, were, involuntarily, an economic one. Our national security complex was composed of the State Department, the CIA, and the Defense Department. Our Commerce Department was a minor player in foreign policy decisions. Their national security complex was an economic one, with the Ministry of Finance, the Ministry of International Trade and Industry, and the Ministry of Foreign Affairs as the chief players. Their job was to monitor first and foremost Japan's economic relations with the rest of

David Halberstam, who adapted this article from his new book The Next Century *(Copyright © 1991 by David Halberstam, to be published by William Morrow and Co., Inc.), is the author of* The Best and the Brightest, The Powers That Be, *and* The Reckoning.

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the world, or, perhaps more accurately, its political relations as determined by its economic interests. In Japan, wealth has to be renewed each day by the nation's most talented people. Politics is a secondary business, and that means journalism is a tertiary business, it being a field derivative of politics.

Bloc heads

I do not think the Japanese ever thought in terms of a Capitalist bloc or Communist bloc. They thought, as befits a nation where the sense of nationalism is so powerful, always of the greater good of Japan. Their economy in the end represented a form of state-guided communal capitalism. While the communal society failed in Eastern Europe because it was an equal misery distributor instead of an equal benefits distributor, it succeeded in its capitalist manifestation in Japan. There it fit the historic needs and traditions of the country, a poor land where, if the rewards were too great at the top, the poverty would be too great at the bottom. There was nothing very ideological about modern Japanese capitalism, for the Japanese had the most pragmatic of societies. Everything was based on the best use of a nation's limited resources. Like the citizens of most nations, the Japanese might be prisoners of their own national myths, but they were never prisoners of ideology.

The key to understanding Japan for Americans is understanding how Japan's ungenerous condition affects its national psyche and its politics. If Japan is a democracy, it is a democracy with a condition that is, for a people aspiring to national greatness, essentially authoritarian. The harshness of its condition and the broad public acceptance of the limits it imposed set the limits of contemporary freedom in Japan. Whereas we in America, in our endlessly bountiful land with its essentially comfortable climate, were conditioned to think that there would always be more, the Japanese grew up in a country where the very nature of the land suggested that there might easily be less. Anyone in Japan who uses too much, whether it be food, or money, or personal freedom of speech, is not merely perceived to be taking too much from the nation but is presumed to be taking it at the expense of others. These limits are set not merely in the case of natural resources but in terms of personal freedoms. Japanese culture carries inherent standards of sacrifice.

I do not think of the Japanese as a nimble people. Subtle, perhaps, but not nimble. They have the most rigidly hierarchical system I have ever seen. Above all, Japan is not a society where people rely on instinct. Everything is carefully considered. Often it is considered better not to act than to act precipitously. A simple answer from an ordinary person in middle management is often hard to get. A great deal of effort goes into not making a mistake. But if the Japanese are not nimble as people, they nonetheless have a nimble economy.

They have an extremely sophisticated upper bureaucracy, a well-motivated, well-educated work force, and enormous capital resources. Thus, as the world economy changes, they can adapt and shift talented people from one field to another, and they can shift capital reserves from one field to another. In the past decade, they have moved the thrust of their economy from core industries to high technology. In the past two or three years they have slightly slowed the rate of their capital reinvestment and have greatly increased their investment in the critical factor for success in high technology: R&D. All this is done with some measure of guidance from their high bureaucracy.

The Japanese are not a very sentimental people. They believe that it may be all right in a country as inherently wealthy as America to make mistakes and not to worry about long-range planning, but they also believe that for them a failure to plan, to sense the future, would be fatal. Japan is not a nation that likes surprises.

Because Japan is economically oriented, its most talented young college graduates aspire to serve the nation by working in the high bureaucracy on economic matters or for the nation's best companies. When I recall the most celebrated Japanese figures of the postwar era, I see Soichuro Honda and Akio Morita, not any of the nation's politicians.

Nobody's business

In America, much of the energy of the society has gone into a politics that has focused largely on determining America's path in the Cold War (in the Kennedy cabinet, for example, all the good jobs were perceived to be in foreign policy and national security). Likewise, the journalists of the postwar generation, men and women now in their fifties and early sixties, were by and large economic illiterates (I include myself before I took what was in effect a six-year crash course in trying to define why the Japanese challenge to the American core economy had been so successful). Our best reporters came to prominence by dint of their reporting either on the Cold War or on political and social issues: civil rights, Vietnam, Watergate. Almost none of them rose to the top by covering business news, and the weakest sections of our newspapers and magazines have traditionally been the business sections.

Our major columnists reflect our domestic bias in their training as well. They are conditioned by the na-

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ture of op-ed page rules, one on the left, one on the right, a reflection of our norms and divisions rather than those of the real world. As such, few of our commentators can deal with Japan's ascent, since it defies the traditional definitions of American ideology (liberal and conservative). It is national and cultural. That said, it is just as hard to describe the comparable erosion in America.

Japan has marked the beginning of its new century by coming forward as a powerful new international player, but, even more important, it has given the world a new definition of economic power. The American century resulted from a time when a nation's economic power came from its sheer physical size, its natural wealth, and a willingness of the government not to put too many obstacles in the way of economic development. Japan, a nation with no natural resources at all, has achieved economic superiority by maximizing the economic potential of its citizens through education. As Secretary of State George Shultz noted at the time of the Iran-contra hearings, economic wealth in communications once existed because a nation had a great deal of copper under the soil. But who, he added, needs copper in an age of fiber optics?

Education, therefore, is critical in the new age. As the nature of economic power changed, so too did the rules for economic success. In the simpler days of American hegemony, bigger was always better. Size of company and scale of production were the keys to success. General Motors was the classic example of the successful corporation of the period; in an age of de facto monopoly, when size was power, it obliterated potential competitors. Then came the new challenge from the Japanese. Bigger was no longer necessarily better. Better meant a higher-quality product made by a better-educated worker. If the world economy was a more crowded place, then the advantage was held by the more disciplined society, which wasted less and used its resources, human and natural, more carefully and skillfully.

Mr. A.M.

When I think of that drive for excellence and the sense of personal obligation it so often represents, I think often of Kazuo Inamori. Inamori is the head of a spectacularly successful company in Kyoto called Kyocera (Kyoto Ceramics), and while he is not as well known in America as Soichuro Honda of Honda or Akio Morita of Sony, I suspect someday soon he will be. If Honda is a Japanese Henry Ford and Morita (although less of a lab and factory man) a comparable figure in electronics, then Inamori is Ford's lineal descendant in support systems for high technology. He is a man who has placed his company on the leading edge of technology. Nothing bores him more than things in which he has already succeeded. "What we like to do next," he says, "is what people tell us we can never do."

A recent poll in *Nihon Keizai Shimbun*, the *Wall Street Journal* of Japan, showed that while the average Japanese citizen thought Sony would be the most successful Japanese company in the next century, the average Japanese businessman thought Kyocera was the one to watch. Its stunning success in the past 25 years was a byproduct of the semiconductor revolution. Suddenly there were significant new uses for ceramics as a base in high technology, because they were resistant to heat yet did not conduct electricity. Kyocera's product was the best in the world; as demand expanded, Kyocera gained a reputation in both America and Japan as the highest-quality supplier of ceramic parts. That high quality and the originality of Kyocera's techniques were the result, as Inamori likes to point out, of his always being on the floor, overseeing the kilns and varying the mixes—unlike the heads of competing American and West German companies. As success came, Inamori did not sit back. He drove himself and those around him even harder. Now the company rushes ahead to find new applications for ceramics—ceramic teeth, ceramic replacements for human body parts, ceramic auto engines, ceramic knives, and ceramic bases for solar heating. "We are," says his friend and colleague Richard Nagai, "the leaders in the new Stone Age."

It is difficult to figure out how old Inamori is by looking at him. There is not a gray hair on his head. His face is completely unlined. One would never guess that this is a man who pushes himself to his limits, who usually slept in his office during the first two decades of his company's history, and whose nickname was Mr. A.M. because he never left work before 3 or 4 a.m. In fact, he is 58 years old. He is, according to his colleague Nagai, a dreamer. "But he does not dream up long-term visions. He dreams in tiny increments. If he has the idea of making teeth from ceramics, he will try that, and only then, if that succeeds, will he dream the next step," says Nagai. "Only then will he dream of making other body parts. His dreams are very practical." Or as Inamori himself adds, "Most industrialists don't dream, and most dreamers don't manufacture things, so I am very lucky."

Early in his career Inamori was part of a team at a small ceramics company in Kyoto trying to create an insulating part for an electronic gun for cathode tubes. He was the only member of the team who had not gone to Kyoto University, one of Japan's better schools, yet he came to realize that he was the most

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original team member. He was the leader of the group, in all but recognition by superiors. At the very moment that they made a breakthrough, there was a strike (this was in the late fifties, when some of Japan's unions were still radical). It appeared likely that the company, which was barely in the black, was going to be shut down. Along with about 20 workers, Inamori stayed on and continued to make the ceramic piece that was a key part for the Matsushita Company. He was, in effect, a strikebreaker.

He believed that the company's future depended on its ability to supply the part. He and others lived in the plant; Inamori smuggled food in for them and the finished parts were smuggled out to Matsushita. In time he was tried by a people's court as "a running dog for capitalism" but was acquitted when he chose to defend himself. He was not enraged by the union leaders' trial of him; he could understand that. What enraged him was the company's response. For his loyalty the company tried to reward him with extra money. He was insulted. His loyalty was not so much to the company as to the work, to make the piece better. He turned it down. "They never understood. They thought I was doing it for them, but what I wanted was the piece itself to be better. I had told all those who stayed and worked with me that we were doing something creative and beautiful. I said that if the piece was better, then the company, I was sure, would be better. And then they wanted to give me money for this! They never understood." As the project achieved even greater success, he was told by his superiors that he would have to leave the team because, although he had contributed considerably, he was not from a first-rate university. "They wanted to give my work to their favorite sons!" He was furious and decided to resign. In 1958, with $10,000 borrowed from friends and a $100,000 line of credit, he founded Kyocera. That was unusual. Japan is not a country where a man lightly leaves a larger company to start his own.

Inamori's company was successful from the first. But it had a hard time breaking into the big time because Japan's larger companies had formed an old-boy network; new companies could not get sizable contracts. That blocked Kyocera's ability to expand in Japan. So Inamori decided to come to the United States to see if he could buy some American patents and upgrade his business. In 1962 he arrived here, a modest young man of 30, with only $10 a day to spend. Almost 30 years later he could remember Tad's, a steakhouse in Times Square where a steak dinner was $1.19, or $1.49 with salad. He was at once scared and humbled by the size of the United States. He believed excellence and perfection to be all around him.

In Japan, wealth has to be renewed each day by the nation's most talented people. In America, much of the energy of the society has gone into a politics that has focused largely on determining America's path in the Cold War.

Nagai, who worked for a Japanese trading company and who was based in New York at the time, was assigned to take him around. He was impressed by Inamori's youth (Nagai could not find him at the airport at first because he had assumed that a managing director would be a venerable gentleman of at least 60, not a scared young man of 30). It was quite touching, Nagai thought, this young Japanese come to the land of the masters, anxious to visit American companies and to buy their patents so he could improve his business in Japan.

As they visited company after company, an epiphany occurred, first to Nagai and only later, because he was less worldly, to Inamori. "His technology and his products were already better than theirs, but he did not realize it," Nagai said. "All of this, the great new land, overwhelmed him, and he was in such awe at first that he could not believe his own quality was superior. But I could see it, I did not know that much about ceramics, but I could see that his products were better than theirs, and I could see their eyes going through the ceiling. Here he was in his humble way apologizing for the quality of his goods, and they were dazzled. They could not believe how good he was." Finally Nagai took Inamori aside and told him he was already ahead of the Americans, that he should be coming here to sell his products rather than to license their technology. What struck Nagai, along with the excellence of his products, was the excellence of Inamori himself: "All he would talk about when we were together was his belief in what a company should be, what its obligations were. I'm not with an engineer, I finally decided; I'm with some kind of missionary."

With that, Inamori began to sell his products in the United States. America was far ahead of the rest of the world in the early sixties in computers and com-

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puter chips; therefore, anyone wanting to sell ceramics for high technology uses had to come here. Kyocera soon became the best manufacturer and creator of ceramics for modern uses in the world. It soon became a primary supplier to America's most advanced companies.

Next of kiln

In 1963 Texas Instruments was looking for an insulating rod for the base for a silicon transistor. Inamori received the specifications and worked on them. The initial results were good enough for Kyocera to become one of two companies competing for the contract. The other was Rosenthal, a West German company that Inamori greatly respected. Inamori was sure of one thing, though, as he worked day and night, changing the mix, trying to sustain and improve the quality. The head of Rosenthal was not in front of the kiln 20 hours a day. "We got the contract," Inamori said, "because we were so good at mixing and baking, because the top people in the company were in front of the kilns all the time, and they could control the variances and keep the quality consistent, which is very hard in ceramics."

This success opened the door for others. Soon he got an order from Fairchild. A year later he heard that Sony was going to produce the first transistor products for radios, so he went to Sony. The people there treated him cavalierly, as expected. But he was more confident now; he was no longer the poor little boy from Kagoshima but the modern Japanese businessman who supplied great American companies with delicate parts, whose quality and consistency had been praised by the Americans themselves. As such, he pushed his case with greater audacity than he might have in the past.

What Sony needed was a ceramic base the size of a cigarette butt, about 0.1 millimeters thick, with two holes in it and with a cut in the middle. It was an unusually difficult assignment because the part was so thin. Established manufacturing processes would tend to split it. Yet Inamori regarded this as a critical order; there had to be an innovative way to produce the part. He and his staff brainstormed. Then one day he thought of spaghetti. They would mix the powders like dough and press it through tubes as if it were pasta and slice the chips rather than press them down. Simple as it was, it worked.

This past year Kyocera celebrated its 30th anniversary. The company seemed more dynamic and successful than ever. It had become an international operation, with five factories in America alone. The new Europe also beckoned. Inamori had no intention, he told his employees on the occasion of the anniversary, of turning the company over to his children; a company about science belonged to its scientists and workers. Fearing that he was no longer as original scientifically as he had once been, Inamori had passed the reins of the company over to the top technologist of the next generation. Still, the thought of a 30th anniversary stirred powerful memories in him and made him edgy, for there is a Japanese saying that the life of a company is 30 years, and then it starts to fall apart. As he hailed the anniversary, he thought of American Lava and his visit there almost 30 years ago. At that time American Lava, located in Chattanooga, Tennessee, was the foremost industrial ceramics company in the world. In Kyoto, Inamori had read about it and had often envisioned it, for he thought it the place where he could learn the most. As a young man on his first trip to America, he had repeatedly asked to see people at American Lava, but his requests had been turned down. Nonetheless, he pleaded with Nagai to take him to Chattanooga, where he insisted on going out to the plant and driving around its perimeter. Nagai had been amazed by the intensity of Inamori's concentration as he looked at the plant and counted the smokestacks. It was as if, thought Nagai, Inamori was willing himself to see inside the plant, envisioning the factory and the workers, creating it in his own mind. Then he thanked Nagai and was ready to go back to New York. The ensuing 30 years had not been good ones for American Lava. It was bought and sold several times, and each time it seemed to slip a little further from its original purpose. Inamori believed that each new group of management cared ever less about ceramics. It was, Inamori thought, very easy, both in America and in Japan, to fall from grace.

Blaming the victor

I still do not think we as a nation get it. Again and again we look for excuses why the Japanese do things better than we do. If we are being beaten, then the rules must be at fault; someone must be cheating. Every time we think we have a solution, we are proved wrong. For a long time everyone in Detroit and in many other places believed that the key to the Japanese success was the soft yen. So we forced them to reevaluate it and make it harder. They did, suffering a momentary but major shock in their industrial core. For a time their highest executives took major cuts in pay and their work force went on shorter shifts. But because they were process driven, they quickly made their process better. Soon, rather than being the victims of the harder yen, they were its beneficiaries. Their liquidity increased greatly, as ours seemed to decline. American companies and real estate suddenly were for sale at bargain prices. Some-

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times it seems to me that the Japanese are so formidable and so supple as competitors that trying to compete with them is like trying to capture mercury. You squeeze it out of one area and it ends up in another. If the yen is harder, they are partially limited as exporters, but they arrive and set up shop in your country as owners, manufacturers, and investors.

Their success, I think, is of a whole; it has no one secret. But let us at least try to understand. For one thing, they continue to want to make things. We have turned our energies to other aspects of commerce, aspects that in other times might have been considered ancillary, such as financing and marketing. Making things has a higher social value in their society than ours, I think. Those who run the industrial lines are considered far more important in Japan than they are in America; as a nation they are closer to being the true children of the original Henry Ford than we are. The purpose of their capitalism seems less diluted in contrast with ours. Ours is to make money; theirs is to make products of excellence, which, if they do well, will also, they are sure, make them money.

There are those who believe that America can move from the most magnificent core industrial economy in the world to essentially a service economy without losing its greatness, its dynamism, and its industrial health. I am absolutely certain we cannot.

An equally important part of the Japanese (and East Asian) success is education. The more I think about Japan, the more important education seems to me. Theirs is a very different type of education from ours, one that many Americans would find unbearable. It emphasizes learning by rote and the acceptance of authority that we consider alien. But even if we dissent from that style of education, we can admire the importance it plays in the society and the respect it inspires in the average Japanese home. A family's position and honor are defined not by how good an athlete a male child is but by how well he does in school.

Japan has been on the ascent since the mid-fifties. It is a nation surging with confidence (and indeed, most recently, for the first time, with overconfidence). It does important things right because it does little things right. Japanese good luck is the product of two generations of Japanese making considerable sacrifices to raise their country from the ashes to economic greatness. Peoples' lives in the past 20 to 30 years have gotten better, and while the rate of improvement has slowed down, there is a sense that things are going to get better still. That generates confidence, and confidence generates optimism, which in turn generates social strength. It is a critical factor in the Japanese ascent, and it is one that eludes detection by mathematical formulation. At this point in the cycle people believe that the traditional class lines in society are blurring, and the usual resentments are at least muted. Everyone believes he or she is a part of the new middle class.

My book *The Reckoning* began as a book about hardware, about who made better cars, but it became a book about differing social systems and in the end was, somewhat to my surprise, a book about education. After its publication in America, those who were worried about the education gap (instead of the missile gap) seized on it. Because of the book, I became privy to the despair of politicians, businessmen, and finally teachers. I was invited to governors' conferences, regional, national, Republican, and Democratic. The Republican governor of Indiana, wanting to make a major move to upgrade Indiana's schools in his last year in office, used the book as the basis of his state of the state speech and gave every member of the legislature a copy. There was among the governors a consensus that we were in a crisis: We do not value education as we once did, our people are essentially indifferent to it, and no one seems to know how to undo that. Almost all the governors have been to Japan and Korea. They have all seen the quality of what those countries' educational systems are producing (and how seriously they go at it).

Recently I lectured at Hiram College, a very good small private college in Ohio. I spent the evening with a group of bright young people from small towns in the Midwest, representative, I thought, of the core of the country. At one point I asked them to write down on a piece of paper how much homework their high-school classmates had done, on the average, each night. Back came the slips. The average figure was 30 minutes. I thought for a moment of Japan and Korea (where children often double-brown-bag it in lower schools because their teachers are graded on how many of their students go on to the next level). I thought of the comparative innocence of my childhood in Winsted, Connecticut, where we thought we were competing for jobs with the students from the even greater metropolis of Torrington, nine miles

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away. How do you tell today's kids they are competing not merely with the children of a neighboring town, but with the children of Osaka, Seoul, Djakarta, Singapore, Bangkok, and, perhaps soon, Wroclaw, Budapest, and Bratislava?

In 1988 a candidate finally raised the question of the challenge from Asia. The candidate was Dick Gephardt, an ambitious young congressman from Missouri, and the manner in which he raised the question had a familiar ring. The real message was: Once again we were the victims. Gephardt, sensing that the issue was raw, ran as an instant populist, blaming the imbalance of trade entirely upon the Japanese and the Koreans. His television commercials, featuring American cars and what they might cost in Asian countries, were intentionally explosive and clearly designed to reinforce a jingoistic fear of Asians. There was some small measure of truth to these commercials, but on the whole they only scratched the surface of the problem rather than trying to comprehend it. (Gephardt himself knew better, and when he spoke in private, he was far better informed than his commercials implied. He admitted that even if the Japanese opened up their markets, the effect on the trade deficit would not be that substantial.) I watched those commercials and envisioned the potential Gephardt voter: someone who votes no on all school bond issues, doesn't supervise his or her children's schoolwork, and then wonders why the Asians are doing better than we are.

The world moves faster than ever. Change, driven by technology, has a speed of its own. Not to stay abreast is to fall behind. Work demands ever-higher levels of education and competence. That is true not only here but around the world. But as it happens, we are not responding. We are hemorrhaging blue-collar jobs, not merely to less-developed parts of the world but to increasing automation as well. I have a sense of America's changing, of class lines becoming more sharply defined than at any time since the coming of the New Deal, of a decrease rather than an increase in the forces that work for democracy—not merely political democracy but economic, educational, and social democracy.

The line between those who will be winners and those who will be losers seems sharper than ever, and the line is the product of education. The people at the very top, who go to the best law schools and business schools, become not just winners but big winners. The middle class is steadily diminished, and the people at the lower end lack the capacity to improve themselves.

There are those who still believe that America can move from the most magnificent core industrial economy in the world to essentially a service economy without losing its greatness, its dynamism, and its industrial health. I am absolutely certain we cannot. Very few people who go into the service economy will go into what might be called high-service jobs—that is, jobs of value, with leverage and dignity. Most of them will be jobs in the low-service sector, which require minimal skills and where turnover is constant. Nor does it make any sense to believe that the Japanese will automatically deed to us all financial services necessary to implement the needs of their expanding industrial core. Already seven of the eight largest banks in the world are Japanese.

Slowly and steadily we are creating a new class system, starting at birth, through early education, and finally through colleges and professional and graduate schools. The people on Wall Street who today make such horrendous decisions to close down plants in small towns do it more readily because they have never known the people they are damaging. Because of the way our large companies are structured, there is a lack of accountability at the top as we make endless short-range decisions designed to make the bottom line look better. We will become evermore a nation of social disharmony with a few rich and a great many more poor people who are not only a burden to themselves but a burden on society. That creates a society with distemper, most notably because people have recently lived in greater affluence. This will not be a strong and dynamic America of 250 or 260 million people. In terms of a truly productive society we may well be summoning the talents of only 30 or 40 million people. Can that America compete with other powerful nations in the near future?

National insecurity state

I am not alone in such gloomy projections. I discussed them recently with Lester Thurow, a prominent economist, a *Newsweek* columnist, and the head of the Sloan School at MIT. "I think it cuts to the core of a question our generation has never faced before: Does America have an establishment or an oligarchy? Every day I pick up the newspapers, and journalists describe—and I think they're right—Japan as having an establishment—that is, Japan has a group of people at the very top who may, in fact, be quite as selfish as any other ruling elite of powerful capitalists. But the members of the Japanese establishment know that they and their children cannot succeed, particularly in so small and vulnerable a nation, unless most of the society succeeds as well. So the members of this establishment are willing to sacrifice some of their own personal privilege and power and riches in order to make sure that the larger society works and is regenerative. At the same time, when virtually the same journalists describe Latin American countries, the

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word they invariably use to describe the leadership is 'oligarchy.' They are describing a very small handful of immensely privileged people who have it very good and who plan to continue to have it very good and don't care at all about the fact that the rest of the country is doing poorly. In effect, an oligarchy believes it can be successful even if the rest of the country is unsuccessful. And that's the system we're moving toward."

An establishment knows it isn't good enough for just its own children to do well, to get on an elite track, because if its own children are running a country where 60 percent of the children cannot make it, something terrible is going to happen.

Now that the Cold War is over, the price—political, psychic, and economic—that we paid for that obsessive struggle that dominated our lives for the past 40 years is ever more clear. Watching the rise of Japan and our parallel economic and political malaise, I am particularly aware of the cost, and sometimes when I am in Japan and see the degree to which it benefited from Korea, Vietnam, and the Cold War, I know as an American what Englishmen and Frenchmen must have thought and felt when they visited America in the early fifties and saw how we had, however involuntarily, benefited from their two tragic wars.

We grew up fearing the power of a strong Russia; how then do we adjust to a world in which a greater threat to our stability comes from a weak Mexico (or a disintegrating Russia)? The Cold War perverted the nature and the purpose of our society. We went in the beginning from identifying and meeting a real threat with measures that were legitimate, to creating, almost without knowing it, a national security structure with a dynamic and a life and a vested interest of its own. Our federal educational bill and our national highway bill of the fifties, as my friend Martin Nolan of *The Boston Globe* likes to remind me, are the National Defense Education Bill and the National Defense Highway Bill. And the first commercial computer introduced by IBM was known as its Defense Computer. The farewell warning from Eisenhower was more prophetic than anyone realized. We were, over many years, first and foremost a national security state in a time of peace. That became our governing obsession.

Standing in Red Square in 1990, I could finally see Russia for what it was (and what I had long suspected)—a sluggish society with a great many missiles and not much else. Now we must look at our own shortcomings and judge ourselves not by the standards of competition with the Soviets but by our own norms of a harmonious and decent society. Finally, after all these years, the face in the mirror is our own. □

The Washington Monthly

JOURNALISM AWARD

FOR OCTOBER 1990 IS PRESENTED TO

"Prime Time Live"
ABC News

A lobbyist, cigar stuck in his mouth, bare belly slung over the waistband of his plaid swimming trunks, peels a couple of bills off the wad in his hand and gives them to a young jet ski proprietor. Reps. George Miller and Tom Downey hop aboard the rented jet skis and tool off into the Caribbean. Thus did a group of House Ways and Means Committee members, their wives, and select staff members ponder the Caribbean Basin Initiative during five days spent on Barbados at taxpayer expense—documented by the video cameras of "Prime Time Live." In all, the group attended only one reception and fewer than seven hours of meetings during the trip. The rest of the time was spent on the links, the tennis courts, the beach—much of it in the company of lobbyists. "Prime Time Live" went beyond the amusing shots of frolicking congressmen to explain the accounting gimmicks and disclosure loopholes that help hide such junkets, to tally up the costs of the Barbados trip, and to examine the legislation that related to it. With a thoroughness that is rare in television journalism, "Prime Time Live" followed up its devastating home movies in a later show with an account of where some congressmen were planning to spend part of their upcoming recess and more of the taxpayers' money: New Zealand, Australia, Africa, and Switzerland.

The Monthly Journalism Award is presented each month to the best newspaper, magazine, television, or radio story (or series of stories) on our political system. Nominations for any newspaper, magazine, or radio or television station in the country are welcome. The subject can be government in its federal, state, or municipal manifestation. Please send nominations to Monthly Journalism Award, 1611 Connecticut Ave. NW, Washington, DC 20009. Two copies of the article or broadcast text should accompany the nomination.

Nominations for stories published or aired in December will close January 15. The winner will be announced in the March issue.

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THE DANGERS INSURANCE COMPANIES HIDE

Insurers don't have to tell you when they know you're about to be killed

by Morton Mintz

Imagine a manufacturer who discovers that one of his products has a defect that is causing grave injuries to unsuspecting consumers. If he promptly warns them, halts production, and recalls the product, he will be obeying a moral obligation deeply rooted in our religious and ethical heritage. The obligation is expressed this way in Leviticus 19:16: "Neither shalt thou stand idly by the blood of thy neighbor."

Now imagine a house bordering an alley. From a second-floor window, X sees Y lay a nearly invisible wire across the alley and then run away. Moments later, X sees Z—an unsuspecting stranger to whom he has no special tie—walking toward the wire. X's moral obligation to warn Z is also his duty under the laws of a dozen foreign countries. In the U.S. since 1973, 27 states and the District of Columbia have enacted some version of the so-called "Good Samaritan" statute.

In a final scenario, our manufacturer neither warns of the defect nor recalls the product. Figuratively, he lays a nearly invisible trip wire and flees. Watching him do it from the window, and then sitting in silence as consumers are ambushed, is the manufacturer's product-liability insurer. He is above it all. He sounds no warning. Unlike X, however, he claims that his conduct is morally right—even though, unlike X, he is not a "stranger" to Z since the insurer profits from the consumer, and even though, unlike X, he in essence enabled Y to lay the trip wire by underwriting the effort. His conduct, he points out, is required by the courts. They have ruled that an insurer has no affirmative duty to warn the public or to facilitate a recall of a product it insures. "Indeed, under the laws of, I think, every state," Craig A. Berrington, general counsel of the American Insurance Association, told me, "the insurer has an absolute obligation to provide a defense for that policyholder against claims that arise, and the insurer can be sued when policyholders believe that insurers are not vigorous enough in providing that defense."

Morton Mintz, a retired Washington Post *reporter, is the author of* At Any Cost: Corporate Greed, Women, and the Dalkon Shield *(New York: Pantheon, 1985).*

Lie-ability insurance

"My primary concern," Berrington said, is that no standard be established under which "insurers essentially become police officers or reporting officials—an arm of the government . . . or that insurers do the work of government and be blamed when government fails in its responsibility to make judgments as to what products ought not to be on the market. . . . A legal duty to disclose with regard to a product that the insurance company has covered would be contrary to the insurer's statutory and contractual obligations today and place the insurer in a terrible bind."

Berrington has a point about the role of government, but through him the insurance industry makes an argument for preserving the confidentiality of a commercial relationship no matter the cost in human

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life. It's an argument that government, which has no higher mission than public safety, must not compel insurers to divulge information that would protect us from massive, continuing disease, injury, and death. It's an argument that would surely astound most Americans were they aware of it; but through a quiet accretion of court rulings, and without congressional debate, this privileged position asserted by product-liability insurers has evolved into national policy. It's an argument that in essence is an excuse for the insurance industry to stand by the blood of its neighbors.

Meanwhile, the neighbors in the marketplace and the workplace have been shedding lots of blood. Consider the dreadful catastrophes caused by only two products: the Dalkon Shield, the defective intrauterine contraceptive device (IUD), and asbestos, the deadly mineral.

New Year's Eve irresolution

The Dalkon Shield was sold in the United States from January 1971 to June 1974, when the manufacturer, pressed by a worried Food and Drug Administration (FDA), ended domestic sales (but continued foreign sales until at least April 1975). During those three and one-half years, physicians implanted an estimated 2.2 million of the devices in the United States and 800,000 in some 100 other countries. For at least a decade after the sales halt, according to recently available court documents, the liability insurer joined the manufacturer in suppressing knowledge of the IUD's hazardous defects. The foreseeable and preventable result was that tens if not hundreds of thousands of women suffered life-threatening pelvic infections, which commonly impaired or destroyed their ability to bear children. In addition, hundreds of children were born with injuries inflicted by the Dalkon Shield while it was their companion in the womb, causing blindness, cerebral palsy, and mental retardation. Eighteen deaths have been reported, but the toll is certainly much higher, if only because in Third World countries no one was counting.

The insurer was Aetna Casualty & Surety Company. ACS is wholly owned by Aetna Life & Casualty Company, one of the world's largest providers of insurance and financial services. In its corporate publications, Aetna acclaims itself a "good corporate citizen." Notably, it was an ACS senior claims adjuster who, on New Year's Eve of 1981, writing in the margin of a complaint filed by a Dalkon Shield victim, raised the rarely asked question: *"What is duty of an insurer to the public when it has knowledge of serious product defects which are likely to cause injury?"* [Italics added.] That William D. McGehee had asked the question did not become known for more than six years; whatever his answer, it isn't on the record. So I asked Aetna for an answer, and a spokesman assured me I'd get one. Several days later, Aetna backed out, giving an interesting reason: the information I was seeking concerned the industry as a whole, and therefore I should talk to Berrington, the insurance association counsel.

About 21 million U.S. workers have been exposed to asbestos, and several hundred thousand of them are expected to die of asbestos-induced cancer over the next quarter-century. In *Outrageous Misconduct*, Paul Brodeur wrote: "By 1981, many of the nation's insurers had known for decades that asbestos workers were dying early, but had kept silent while their underwriters wrote policies for workmen's compensation and comprehensive general liability as fast as they could put pen to paper." Proving to a fare-thee-well that they had known the truth from their own "actuarial tables, ratings schedules, physicians' reports, workmen's compensation claims, underwriting guidelines, and safety-and-engineering manuals," Brodeur wrote: "If at some point along the way, Aetna, Travelers, Commercial Union, Liberty Mutual, INA, Hartford, Home, Lloyd's, or any of the other major insurers of the asbestos industry had gone public with their inside knowledge, they might well have been able to saves tens of thousands of lives and untold suffering and pain."

Aetna executives remain to this day all but invisible. Yet they had been complicit in a decade of delay of the recall, while the Dalkon Shield injured thousands more women than any serial rapist ever has.

Why did insurers conceal their knowledge and continue to provide coverage? Disclosure, Brodeur explained, would "have encouraged claims and damage suits, and run counter to basic insurance-company practice, which is to write as much coverage as possible, and as cheaply as possible, in order to reap a rich harvest of premiums that, when invested, will return enough money to pay for future claims and make a profit for the company." As Ralph Nader put it in a 1987 article in the *Suffolk Law Review*, insurance companies "have become predominantly cash

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flow financial institutions. . . . More and more attention is being paid to increasing investment income through premium volume."

Such a casino philosophy too often has led to industry indifference to loss prevention and advocacy for health and safety, which, as some insurers often brag, are historical objectives of insurance. Thus Aetna's top officers piously stated in their 1989 annual report that "the best way to keep premiums down is to work with clients to prevent or minimize losses." Yet, while the Aetna Life and Casualty Company Foundation made $6.8 million in grants in 1985, Nader wrote in 1987, "the only safety contribution was $5,000 to an Indianapolis, Indiana, Volunteer Fire Department, according to the annual report of the company and the foundation."

The down side of loss prevention for the industry was described in a 1971 study by Herbert S. Denenberg, the former insurance commissioner of Pennsylvania. Loss prevention, he wrote, "might encourage self-insurance and might otherwise lessen the need for insurance [and] lower premiums, and decrease . . . income and cash flow." Robert Hunter, president of the National Insurance Consumer Organization (NICO), said in an interview, "It's a shocking thing that what the industry knows from its files could save lives [but] is never tapped." He cited an example: The National Highway Traffic Safety Agency (NHTSA) test-crashes cars equipped with dummies to find out how safe—or unsafe—they are, while insurers refuse to release the data on millions of cars that have crashed with real people in them. "Even repeated litigation arising from well-known and identical hazardous product models or services has not prompted the insurance industry to insist on elimination of possible dangers," Nader wrote. "The insurance industry's indifference to loss prevention has been a significant contributor to the 'insurance crisis' of the 1980s, which hit consumers and businesses with skyrocketing premiums."

Was the conduct of insurers in the Dalkon Shield and asbestos cases an aberration? "It happens routinely," Denenberg told me. "They don't come forward and say, 'Hey, world, look out for this!'" Fortunately, some firms break the mold. In 1970, for example, Charles K. Cox, president of the Insurance Company of North America (INA), said that INA "will no longer insure the company that knowingly dumps its wastes." Early in the Reagan administration, NHTSA voided an automobile safety standard that required air bags or other automatic restraints and would have saved thousands of lives annually. In what Nader hailed as a "luminous exception" to the industry norm, the huge State Farm Mutual Automobile Insurance Company fought NHTSA's action up to the Supreme Court and was vindicated in 1983 when the court held the action illegal.

However admirable, such exceptions provide no clue as to how many deaths and injuries insurers could have prevented through the years, or could prevent from now on, by dedicating themselves to loss prevention and by disclosing their knowledge of dangerous defects in products and needless workplace hazards. Brodeur found that insurers could have saved the lives of tens of thousands who fell victim to only one product, asbestos. So it's a fair question: What did the insurers know and when did they know it about hazardous defects identified after marketing in, say, automobiles? Aircraft? Athletic gear? Building materials? Butane lighters? Drugs and vaccines? Food additives? Playground equipment and toys? Toxic chemicals? No one asks the insurers to reveal everything they know. And they shouldn't, says NICO's Hunter. "But in the case of a product that kills they have a duty to warn."

Robins's hoods

Aetna became deeply involved in the Dalkon Shield episode 16 years ago in Wichita, Kansas, where the manufacturer, A. H. Robins, Company was the defendant in an early, seemingly routine personal injury trial. To that point Robins had sold more than 4.5 million Dalkon Shields, claiming that in preventing pregnancy the device had a stunningly low failure rate of 1.1 percent per year. All along, however, Robins—but not Aetna—had known that the claim was based on studies which were unreliable at best and fraudulent at worst: The true failure rate was later determined to be about 5.5 percent.

In February 1975, near the end of the trial, a leading plaintiffs' lawyer, Bradley Post, introduced a smoking-gun internal Robins memo. In the memo, written four days before the company bought rights to the Dalkon Shield in June 1970, a Robins medical executive revealed that the developer of the device had admitted to him that he knew the pregnancy rate to be well over 1.1 percent. The memo erased any possible doubt at Aetna that the claim was false, devastated the defense, and led the jury to make the first award of punitive damages to a Dalkon Shield victim.

The amount of the award was relatively small—$75,000. But the defeat and its implications infuriated Aetna and William A. (Skip) Forrest Jr., general counsel of Robins. They blamed Roger L. Tuttle, the Robins in-house counsel in charge of Dalkon Shield product-liability litigation. Soon afterward, Tuttle testified—and Forrest denied—that Forrest ordered him to arrange the destruction of hundreds of "trou-

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blesome" documents (some of which Tuttle secretly saved). In short order, Aetna forced Tuttle's dismissal from Dalkon Shield legal matters. Forrest replaced him with what is now McGuire, Woods, Battle & Boothe, Virginia's second-largest law firm, which would coordinate as many as 150 Dalkon Shield defense law firms around the country.

A development of supreme importance followed in a few weeks. According to hitherto unreported Aetna internal memos, by November 1974 ACS had, or was trying to take, "complete control" of Dalkon Shield litigation from Robins. Through McGuire, Woods, ACS in March 1975 clearly assured "complete control." From that day forward, McGuire, Woods was getting its marching orders from the insurer, not the manufacturer. In the process, Aetna had to, and did, learn what Robins knew and what plaintiffs' attorneys would soon demonstrate with overwhelming scientific evidence: the longer a Dalkon Shield remained in the body, the greater the risk of pelvic infection, or pelvic inflammatory disease (PID). As far back as 1956, articles in scientific literature had warned that nylon rotted upon long-term exposure to body fluids. Robins's IUD was the only one with a retrieval string that was not only made entirely of nylon, but also consisted of hundreds of tiny filaments encased in a sheath. As the nylon rotted, bacteria that penetrated the spaces between the filaments were wicked into the normally germ-free uterus, where they caused PID.

An ACS senior claims adjuster, writing in the margin of a complaint filed by a Dalkon Shield victim, raised the question: "What is duty of an insurer to the public when it has knowledge of serious product defects which are likely to cause injury?"

Robins did not test the Dalkon Shield for safety until after it began to sell the device worldwide. Aetna knew this. In October 1975, a meeting was held at Aetna to discuss "problems of defense" in Dalkon Shield lawsuits. One of the problems, claims adjuster Ronald Szeremeta said in a memo, was "lack of testing prior to marketing." In February 1976, an ACS internal memo acknowledged inadequate testing. But later in 1976, Aetna was still reassuring other companies providing coverage to Robins. Yes, an Aetna official told one of them, Aetna was "completely satisfied with Robins' testing and marketing program."

The first experiments incriminating the Dalkon Shield string were reported in 1974 by IUD expert Howard J. Tatum. Aetna then began to fund numerous string studies through McGuire, Woods, using the lawyer-client relationship to cloak the results. An early, ominous report came in December 1975, when the law firm told senior ACS attorney John A. Edgerly Sr. that a British study was "showing greater bacteria buildup with DS [Dalkon Shield]." Aetna also paid for a comparative study by New York University's primate laboratory of IUDs in baboons (primates that, after chimpanzees, have a female reproductive system most closely resembling a human's). Attorney Edgerly feared confirmation of Tatum's experiments. And so in June 1977, he wrote a classic head-in-the-sand directive to Harris W. Wagenseil, then a San Francisco lawyer who has been described as "a principal architect" of the defense of the Dalkon Shield, and who reported to Aetna mostly through McGuire, Woods. First, Edgerly instructed Wagenseil to classify information about the baboon study as a lawyer's confidential "work product" to prevent plaintiffs' counsel from seeing it. Then he wrote: "There is one caveat, and that is, this test could verify the finding of Tatum—if the conclusion appears to be headed in this direction, the study will be aborted."

For whatever reason, the study continued long enough to go far toward confirming Tatum's experiments. In an analysis of the data in 1981, after the study was completed, Dr. William M. O'Leary, professor and chairman of microbiology at Cornell, concluded that there was "a striking association" between the multifilamented string and bacterial contamination of the womb. After I learned of the study in 1984, NYU refused for six months to reveal who had paid for it. Finally, Skip Forrest, the Robins general counsel, admitted in court testimony that Aetna had picked up the entire bill.

Only a complete recall could protect Dalkon Shield wearers, all of whom were unaware that the string deteriorating in their bodies was exposing them to ever-increasing peril. The need for a recall became apparent in late May 1974, when Robins disclosed that four women who had become pregnant while wearing the Dalkon Shield had suffered rare fatal septic infected miscarriages. The toll of serious

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cases and fatalities increased almost daily. FDA staff members urged Commissioner Alexander M. Schmidt to recall at least all unimplanted Dalkon Shields. But he settled for a "voluntary" suspension of sales—the weakest course of action besides doing nothing. It was also the course Robins had preferred because, a Robins lawyer advised, it minimized the company's legal liability. An Aetna memo quoted a revealing admission from an official identified as Bill Dumbauld: "Bill's caustic comment was 'those unsafe cars on the road aren't being recalled.'"

To force a recall, Aetna could have refused to renew the annual liability coverage that Robins needed to do business since, as Robins's own insurance broker warned, if ACS didn't insure the Dalkon Shield, no other carrier would. The possibility was considered. But Aetna resisted a true recall, and a reason emerged in a 1980 interoffice communication in which ACS official Douglas D. Carr discussed a meeting the previous day. Robins, he wrote, "was still contemplating a recall of the IUD which would 'precipitate an influx of claims.'"

Aetna renewed its coverage in 1976 and again in 1977. That it coveted the Robins account is suggested by an internal memo warning that "unless we do something to safeguard ourselves, profitability of account will disappear." Although Aetna's profits from 1974 to 1977 haven't been disclosed, its 1973 profit from Robins was relatively trivial—about $30,000, according to an internal memo. Even supposing that Aetna subsequently jacked up its premiums, it seems strange that profits on this scale could account for the annual renewals after 1974, when Aetna had to know that big trouble lay ahead. But blindly following the "basic insurance-company practice" of seeking the maximum possible premium income in order to make investments had apparently led Aetna into a colossal blunder. "I can't see anything beyond stupidity," said NICO's Hunter. "I just can't."

Aetna finally cut off coverage effective February 28, 1978. The cut-off was a consequence of a megabucks battle with Robins similar to one in the asbestos litigation, over the question of when the insurer's liability began: upon exposure to the product or upon diagnosis of disease. Negotiations failed to settle the dispute, so Robins sued Aetna. In March 1977, while the case was pending in Circuit Court in Richmond, the companies signed a secret armistice. Aetna, waiving traditional immunities from liability, consented to some coldblooded provisions. It would pay all compensatory awards, even for "*intended* bodily injuries," and for injuries arising "on account of Robins' failure to disclose relevant information and the *supplying of false and misleading information* [to physicians and women]." [Italics added]. The quid for this quo was that Robins would pay all punitive awards. The lawsuit was settled in 1984, on the eve of trial.

The pact could have embarrassed Aetna and rocked the industry if it leaked into a court proceeding. ACS outside counsel Rufus Coldwell warned in a 1982 memo that a judge could construe it "in an unfavorable manner and place upon ACS some heretofore non-existent duty of disclosure to the public."

In February 1984, the then-chief U.S. district court judge for Minnesota, Miles W. Lord, excoriated E. Claiborne Robins Jr. and two other top Robins executives for having refused to recall the Dalkon Shield. A multitude of women were still carrying "the deadly depth charge in their wombs, ready to explode at any time," Lord told the utterly unrepentant trio standing before him. "Face up to your misdeeds," he pleaded. "Please, gentlemen, give consideration to tracing down the victims and sparing them the agony that will surely be theirs." Finally in October, Robins asked all women wearing the Dalkon Shield to have it removed.

If Lord had seen the newly available court documents, he surely would have extended his wrath and his plea to complicit Aetna executives. Still, he had a few harsh words for Aetna. "The policy of delay and obfuscation practiced by [Robins's] lawyers in courts throughout this country has made it possible for you and . . . Aetna Casualty and Surety Company, to delay the payment of these claims for such a long period that the interest you earn in the interim covers the cost of these cases," the judge said. "You, in essence, pay nothing out of your pockets to settle these cases." But in keeping with the courts' norm—it's a no-no for a jury to be told whether a defendant is insured—the Aetna executives were, and remain to this day, all but invisible. Yet they have been complicit in a decade of delay of the recall, while the Dalkon Shield injured thousands more women than any serial rapist ever has.

Monkey business

Aetna dodged my questions about the baboon study, the armistice with Robins, and other awkward subjects, citing "legal reasons," "advice of counsel," and the inviolability of insurer confidentiality: ". . . we are prevented by law from publicly discussing or otherwise disclosing any information provided to us in confidence by our clients," a spokesman told me at the time. "Confidentiality is not only paramount to an insurer's relationships with its clients; it is also our business and legal principle without which it might not be possible for insurance

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companies to provide . . . liability insurance in any form."

Unlike the insurance industry, the medical and legal professions do not say "never" to disclosure because they recognize that confidentiality treated as an absolute inevitably collides with higher responsibilities to the welfare of the community at large:

➤The American Medical Association's ethical code allows a physician to "reveal the confidences entrusted to him in the course of medical attendance" if "required to do so by law or [if] it becomes necessary in order to protect the welfare of the individual or of the society."

➤The American Psychiatric Association's "Guidelines on Confidentiality" warn that "psychiatrists today may be held responsible for protecting parties whom their patients seriously threaten, particularly when these other persons have been specifically identified."

➤The American Bar Association's Model Rules of Professional Conduct say that information confided by a client may be revealed "to the extent the lawyer reasonably believes necessary . . . to prevent the client from committing a criminal act that the lawyer believes is likely to result in imminent death or substantial bodily harm."

Considering that a dangerous patient or client is usually only a threat to one person or a few people, and that just one needlessly hazardous product may injure tens of thousands of people, is it rational public policy to treat the insurer-customer relationship as sacrosanct?

And even in financial matters that aren't life-threatening, the government is likely to construe professional confidentiality as waivable. Accountants had no small role in the S&L disaster, a case in point being a major accounting firm's apparent cover-up of the shenanigans of Charles Keating Jr. So late last year, the House of Representatives passed a bill requiring accountants to alert regulators to serious irregularities. The bill died in conference with the Senate, but Rep. Ron Wyden, who has been sponsoring the proposal for years, sees a good chance of enactment in the new session. A Congress that can compel disclosure by accountants can also compel disclosure by insurers who learn of avoidable hazards in products and the workplace.

But the way things stand, the courts equate an insurer of wounding and lethal products with a priest who hears the sacramental confession of a serial murderer. In *Ethics in the Sanctuary*, author Margaret P. Battin recalls the much-publicized West German case of Jurgen Bartsch, a 15-year-old butcher's apprentice who confessed to his priest that he had committed a murder: "The priest attempted to persuade Bartsch to give himself up to the police. When he was unable to do so, the priest followed Roman Catholic church law requiring absolute confidentiality of the confessional and did not reveal information about the murder or Bartsch's intentions. Bartsch committed three more murders—all of them of 11-year-old boys, all of whom he subjected to sexual torture prior to killing them—before he was caught four years later [in 1966]." At least the priest did what he felt he could to avert further bloodshed. The insurers of asbestos and the Dalkon Shield did not.

More than two years after William McGehee had asked his incisive question about the insurer's duty, he was still groping for a satisfactory answer—while women in large numbers continued to be stricken with pelvic infections. He rephrased his concern in April 1984 in handwritten notes in which he spoke of the "[d]ilemma of insurance company which knows that insured has danger of defective product." Aetna's headquarters in Hartford, Connecticut, are less than 20 miles from a nuclear plant. If the "defective product" giving rise to the "dilemma" was about to cause a meltdown at the plant, would Aetna bend its iron rule of confidentiality?

The Columbus dump

Thirteen days after the February 1975 verdict in Wichita, William Forrest and other Robins officials met in Hartford with five Aetna executives and an official from Robins's insurance broker to discuss why the case had been lost and how to build better legal defenses against Dalkon Shield lawsuits. Toward the end of two pages of handwritten notes, Joseph E. Fazio, an ACS manager and claims attorney, made a startling reference to Forrest: "Purging files to be sure that for future they will not be as vulnerable." The meeting minutes also refer to a discussion of purging of documents.

In one way or another, thousands of documents sought by plaintiffs' lawyers vanished in suspicious circumstances after McGuire, Woods took over the Dalkon Shield litigation under Aetna's direction. An especially odd fate awaited about 20 boxes of documents, some concerning secret tests of the Dalkon Shield's string. The papers had been in the possession of Harris Wagenseil, the San Francisco attorney retained by McGuire, Woods. He shipped the boxes to Columbus, Indiana, when he moved to a new home there. In what he described in testimony as a "spring cleaning," his wife had the boxes carted off to the city dump. At the time, the papers relating to the string tests were under a court "non-destruct" order. In a February 1984 report to Judge Lord, two special masters said that plaintiffs' attorneys had es-

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tablished a strong prima facie case that there was "ongoing fraud" and that it had "involved the destruction or withholding of documents."

In June 1984, when Dalkon Shield litigation was reaching floodtide proportions, four ACS officials met to discuss the carrier's options. One sentence in notes of the meeting—handwritten by someone not publicly identified—leaps off the page: "If we propose alternative #1—re: giving greater detail about how to run their [Robins's] operations and they don't accept it and we walk, aren't we conspiring even more."

This teasing hint drew strength in 1985, when the Justice Department began to investigate whether Robins had criminally obstructed justice. In four subpoenas, a federal grand jury in Wichita ordered Robins ("Company X" or "Company" in public court papers because of the secrecy of grand jury proceedings) and McGuire, Woods ("Law Firm Y" or "Law Firm") to produce specific records. Company and Law Firm, asserting the attorney-client and lawyer's work-product privileges, refused to produce substantial numbers of the subpoenaed documents.

In deciding whether to sustain the refusal, District Judge Patrick F. Kelly, who was supervising the grand jury, conducted an *in camera* (in secret) examination of sealed grand jury testimony and exhibits. Kelly ruled that the privileges could not be invoked "as a result of the crime-fraud exception. . . ." The *in camera* submissions, he said, "contain a strong prima facie showing that [Company] and its employees and officers participated in the commission of crimes and fraud during the promotion, marketing, and sale of [the Product], and used its attorneys to perpetuate and cover up these ongoing crimes and fraud during the ensuing product liability litigation through the commission of frauds on the courts, obstruction of justice, and perjury." Significantly, Kelly noted that these alleged acts had occurred, "during the period of representation by [Law Firm]"—that is, during the period Aetna controlled the law firm's representation of Robins.

An appeal by Company X failed. Upholding Kelly 3 to 0, the U.S. Court of Appeals for the Tenth Circuit said: "From 1975 to 1985, the law firm was responsible for the nationwide coordination of Company's defense. . . ." From 1975 to 1985, Aetna had "complete control" of this litigation.

Company X petitioned for Supreme Court review. In a vigorous reply brief in February 1989, the Justice Department listed the possible violations it was investigating: obstruction of justice, mail and wire fraud, false declarations before the grand jury, racketeering, and conspiracy.

The Supreme Court denied the Robins petition in June 1989—an obviously significant victory for the Justice Department. So it was astounding when in January 1990 the Justice Department dropped its five-year investigation. Had Company X been found to be not provably guilty of any crimes? Found wholly innocent of criminal activities? Had the "false declarations before the grand jury" suddenly been transformed into true declarations?

Runaround suit

Flat-out allegations of conspiracy were made against (and denied by) Aetna in private lawsuits. Such allegations against an insurer are not a first. In cases dating back to 1977, for example, 80 former asbestos workers at a Johns-Manville plant in New Jersey accused Metropolitan Life Insurance Company of "negligence, fraudulent concealment, and conspiracy," and a federal judge ruled that the insurer "could be held as a defendant" on those accusations, Brodeur wrote in *Outrageous Misconduct*. One allegation was that in a 1935 report on asbestos disease, Metropolitan had altered certain passages "to suit the insurance industry"; another was that it had withheld "vital information from asbestos workers." However, after long delays of a trial that might have determined Metropolitan's legal accountability, the parties settled.

While the Dalkon Shield episode left Robins a shattered, humiliated company, Aetna almost completely escaped punishment, thanks to a class-action lawsuit called *Breland*. Robins' bankruptcy filing in 1985 meant Aetna faced a nightmarish possibility: it could become the sole defendant in the hundreds or thousands of lawsuits latent in the approximately 195,000 claims that survived court screening. But Aetna itself could not have devised a more brilliant self-rescue than *Breland*. It was a mockery of an adversarial lawsuit: Aetna instantly embraced it; the lead plaintiff's lawyer had never tried a civil suit; Aetna produced only the documents it cared to (summarized in a 99-page "index"); and no plaintiff's lawyer took a single deposition. The *Breland* plaintiffs' counsel crafted the class action as an unprecedented—and, for the ongoing asbestos litigation, precedent-setting—"mandatory non-opt-out class." This extraordinary move meant that hundreds of thousands of Dalkon Shield victims who had never heard of their self-appointed putative benefactors—Glenda Breland, her co-plaintiffs, and their lawyers—would, without their knowledge or consent, forever lose their constitutional right to a jury trial against Aetna, to select their lawyers, and to have their cases heard in the jurisdictions where they live.

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U.S. District Judge Robert R. Merhige Jr. of Richmond, who supervised both the Robins bankruptcy and the *Breland* hearings, certified the class action, airily declaring in his April 1988 opinion that, "there have been no suggestions that Aetna had any relation with the alleged injuring device except as an insurer." He disregarded the allegations of conspiracy and other wrongs imputed to Aetna even in *Breland*, and he was at variance with uncontested facts. Aetna's "complete control" of the Dalkon Shield litigation had been a reality for nearly 13 years, for example. And contrary to Merhige's opinion, Aetna attorney Edgerly's order to abandon the baboon test if it was yielding undesired results was certainly more than a "suggestion."

Based on Merhige's ruling, *Breland* counsel and Aetna reached an amicable settlement, as no one had doubted they would. The claimants—most of them exceedingly weary of waiting to be compensated for injuries suffered a decade or more earlier—could not easily refuse, though some plaintiff's lawyers claimed "collusion" contaminated the settlement. Once all the agreement's misleading provisions are weighed, they indicate that for $43 million—little more than nuisance value—Aetna could walk away from the multibillion-dollar arena of Dalkon Shield liability immune from lawsuits for ever after. This from a company that in 1989 listed assets of $87.1 billion and a net income of $676 million. No wonder Aetna was so happy to pay *Breland*'s attorneys—including a former partner of the judge—fees of $8.2 million (an average of $407 an hour) plus expenses.

In a brief filed as part of an unsuccessful appeal to overturn the settlement by 500 of the Dalkon Shield victims involuntarily corralled by *Breland*, two plaintiffs' lawyers cut to the heart of the matter: "If one follows Aetna's arguments to their logical conclusion," they wrote, "an insurer such as Aetna cannot be held liable for fraud, obstruction of justice, negligence, or any other tortious activities as long as it is acting as insurer at the time of its tortious activities."

Sunshine on policyholders

The first line of defense against defective and needlessly unsafe products resides not in those who manage the offices where they are insured, but in those who manage the factories where they are made. This deserves particular emphasis because in recent years *self-insurance* has become commonplace in a wide range of manufacturing industries, including automotive parts, chemicals, general aviation, medical devices, pharmaceuticals, sporting goods, and tobacco.

Since 1979, Reps. John Conyers Jr. and George Miller have proposed a bill to strengthen the first line of defense. The bill says that "whoever is an appropriate manager with respect to a product or business practice," and who "discovers . . . a serious danger associated with such product (or a component of that product) or business practice," shall within 30 days "inform each appropriate federal agency in writing . . . and warn affected employees in writing. . . ." A manager convicted of a violation "shall be fined not less than $50,000 or imprisoned not less than two years, or both"; a convicted corporation shall be fined not less than $100,000. The virtues of this approach are several: It would infuse personal accountability where there is now too little, offset pressures on managers to cover up, and be enforced by U.S. attorneys—no new bureaucracy would be needed. In an impressive example of local initiative, California enacted a close copy of Conyers-Miller in late November.

Florida has also blazed a trail toward corporate accountability. Its "Sunshine in Litigation Act," which took effect July 1, says that any portion of an agreement or contract with "the purpose or effect of concealing a public hazard, any information concerning a public hazard, or any information which may be useful to members of the public in protecting themselves from injury which may result from the public hazard, is void, contrary to public policy and may not be enforced." Why not a federal sunshine in litigation act?

In the 1972 law creating the Consumer Product Safety Commission, Congress put on distributors and retailers the same legal burden of disclosure it put on manufacturers: Each and every one who obtains information "which reasonably supports the conclusion that such product . . . contains a defect which could create a substantial product hazard" must inform the CPSC immediately. If he doesn't, the agency is empowered to compel him to do that which he had already been morally bound to do.

In 1975, Senators Frank E. Moss and Warren G. Magnuson introduced a CPSC bill that would have extended the reporting requirement to product-liability insurers (and to independent testing labs). For Congress, the bill was an apparently novel perception that protecting human life, safety, and health is too important to exempt insurers (and labs) from reporting serious hazards to regulators. The measure passed the Senate but died in squabbles with the House over unrelated issues—and was never reintroduced.

Still, the public health and safety being so much at stake, we need new federal and state legislation that revives the implicit message of Magnuson and Moss: the "thou" in Leviticus 19:16—"Neither shalt thou stand idly by the blood of thy neighbor"—exempts none of us, including the insurer watching from the window. □

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With Fear and Favor

Inside *The New York Times* corrections box

by Susan Threadgill

Corrections

Because of an editing error, articles in yesterday's editions referred to Israel as a "Jewish nation" and Pope John Paul II as "a Catholic."

These references violated the *Times* policy of never mentioning religion no matter how obviously relevant. Israel should have been described as "an emerging democracy in a sand-rich region," the Pope as "a Rome-based financier."

•

Because of a mechanical error, a recipe for mulled carpaccio of venison pituitary with sun-dried cauliflower cullis appeared in the middle of a sentence in yesterday's "Master of All I Survey" column by A. M. Rosenthal.

The correct sentence should have read, "I was too busy contemplating the Holocaust to receive the prime minister, and it was awkward to have him in my outer office when I was already late for my lunch with the senator, though of course he would wait for me, so I had one of my numerous aides give him reprints of some of my columns and I, myself, wrote him a personal note, which he will probably always treasure, on my stationery, in mine own hand, and I myself wrote in mine own hand on my stationery, 'Mr. Prime Minister, read these and learn the shocking lessons of history!'"

•

Because the *Encyclopedia Britannica* is difficult to read when you're in a hurry, last week's story "Presidential Staff Mood Swings: Single Most Important Issue in World History" by Maureen Dowd, erroneously stated that Vanessa Williams was Warren G. Harding's mistress, that "The Tiananmen Squares" is an NBC winter replacement game show, and that the *Vincennes* was Admiral Dewey's flagship at the Battle of Manila Harbor.

•

Because of a mechanical error, the "Personal Indulgence" page did not appear in the "Spending!" sections of yesterday's zoned Short Hills-Great Neck edition. The articles, regarding lapis-encrusted tennis rackets and hand-carved mahogany house siding, appear in today's editions.

•

Susan Threadgill is a Washington writer.

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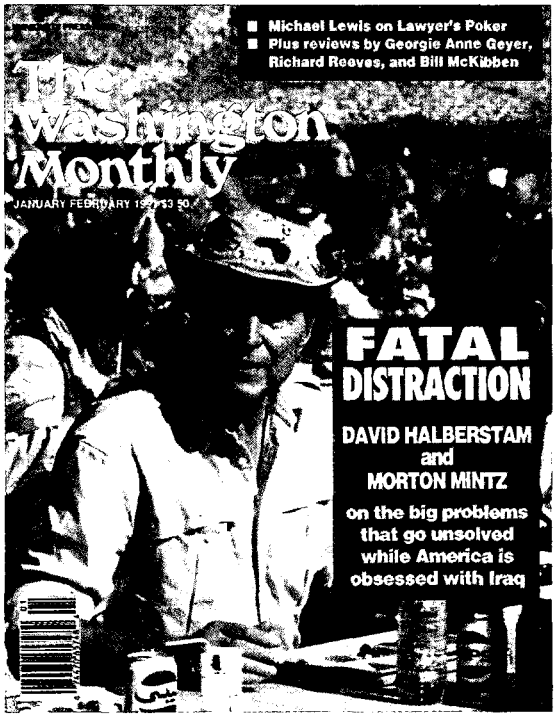
IF YOU'RE NOT AFRAID TO BE RIGHT TOO SOON



In the first months of the Gulf crisis, while most of the national media acted as cheerleaders for the U.S. military buildup, we were almost alone in asking why the Bush administration was repeating the costly mistakes of Vietnam—risking a ground war in Asia and allowing America's elite to avoid military service.

➡ Well ahead of the others, we cracked the case of Washington, D.C. mayor Marion Barry, uncovering his administration's incompetence and corruption.

➡ Months *before* the stock market crash in 1987, we warned that programmed trading and low-margin stock options could turn a bad day into Black Monday.

➡ Years *before* the *Challenger* disaster, we warned that the space shuttle was unsafe, saying, "Here's the plan. Suppose one of the solid-fueled boosters fails. The plan is, you die."

➡ Months *before* the Iran-contra scandal broke in newspapers, we warned readers, "This National Security Council staff is the worst in history."

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Because of a computer error, yesterday's lead editorial was titled "Bet Nobody Can Figure Out What We Think." The correct title was "Time for Sober Reassessment of Policy Priorities."

●

Because of a computer error, the phrase "Ha! The fools! I could have ruled the world!" was attributed to White House Chief of Staff John Sununu in part four of the six-part series, "Presidential Staff Mood Swings: Overemphasized by Media?" by Alessandra Stanley.

The correct quotation should have been, "I seek nothing for myself, save the opportunity to serve."

●

Editor's Note:

In yesterday's monthly media feature, "Denigrating the Advertising Value of Newsweeklies, Not That We have Any Stake in the Matter" by Alex S. Jones, *U.S. News* editor Mortimer Zuckerman was referred to as "a white guy" and as "a columnist [who] often expresses his opinion." Mr. Zuckerman's attorneys filed preliminary briefs two hours after the first zoned Wall Street-Pricey Shops editions were delivered to vendors.

It is *Times* policy that reporters never say anything about a person of power or wealth that does not come from that person's own press releases if there is any possibility that any *Times* executive, senior editor, or columnist will encounter the subject socially; or if the subject owns a vacation home in any of a certain number of communities, the precise names of which are a matter of *Times* internal policy.

The article should have described Mr. Zuckerman as "a well-groomed male Caucasian" and "a widely read essayist . . . who often comment[s] on a[n] eclectic range of learned subjects."

●

Because the earth was passing through a cloud of uncharted cosmic rays, garbled instructions were given for several recipes listed in yesterday's "Spending!" section.

In rock cornish rock, actual rocks are added to taste, not "by ton," as the recipe stated. In jubilee of calvados-drenched terrine of spring rabbit's ear au hemoglobin, the soft fuzzy hair must be removed in advance, preferably by a maid or caterer. For a proper presentation of crab legs Retton, the legs should be amputated tableside. Cold dry kale omelette mit rhizobium garnishee should be sauteed in sauterne, not sauterned in sautee. And mulled carpaccio of venison pituitary with sun-dried cauliflower cullis should not contain 300 picocuries per liter of strontium-90. It need not be cooked for six and one-half hours at 6,000 degrees F. These instructions concern the operation of the Department of Energy's plutonium processing facility at Savannah River, South Carolina.

●

It has been brought to the attention of the editors that the story from last Sunday's *New York Times Magazine* titled "Tucson: Where Six-Guns Do the Talking," was illustrated in an unsatisfactory manner.

What was presented as an actual photograph of law officers making a recent arrest on a Tucson street was, in fact, a publicity still from the television series "Maverick." The individual depicted in the photograph was not a federal marshal, but the actor James Garner.

●

Because of an error that's none of your business, the initial paragraphs were missing from yesterday's banner story, "Unbelievably Vast Sweeping Stunning Policy Changes to Alter Fundamental Nature of Known Universe," by R.W. Apple. That story should have begun:

WASHINGTON—Extremely highly placed key essential handsome and successful quasi-godlike administration sources have hinted that President Bush will announce an initiative to alter the fundamental nature of the known universe.

Independent experts contacted by the *Times* believe this will be the first time any U.S. president has attempted to alter the fundamental nature of the known universe, though Republican Party officials were quick to point out that former President Richard Nixon was hounded out of office before he could complete his political agenda.

Bipartisan congressional leaders will be consulted before changes in the nature of the universe take effect, administration officials assured.

"Fundamental changes in the basic nature of the known universe will not take place overnight," explained one exceptionally highly key mega-powerful administration source, who found it convenient not to be identified. "It will be an evolutionary, not a revolutionary process."

No actual details of the changes were available, nor have they been worked out. All details, the amazingly well-read sophisticated power-oozing genius official said, will be left to budget negotiators.

●

Because . . . oh, just because, the map quiz accompanying last week's story, "Shocking Geography Ignorance of Youth Decried by Independent Experts," contained certain lapses.

Nebraska is not adjacent to Bhutan, as the quiz answers stated. South America is located south, not east, of the North Pole. The Welland Canal does not connect Lake Ontario with the Adriatic Sea. Berlin, Wisconsin, was never divided by a heavily defended wall. And Beyond Reproach is a concept, not a physical location. □

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LAWYER'S POKER

A national law firm charging outrageous fees: what a bad idea

by Michael Lewis

I once had a wicked but satisfying dream. I had rented a boat on a winter evening and invited aboard a selection of the most repellent people I knew. The guests were chosen to include the full range of offensive qualities—hypocrisy, self-obsession, arrogance, greed, spite, etc. I floated my dreamboat, this Ark of Vice, far out onto a deep sea. There I watched the monsters mingle. I believe I even scribbled notes for a *Vanity Fair* profile or two. At last, when the irritation became unbearable, I pulled the plug (my boat had a plug) and slipped ever so quietly over the side, into a waiting skiff. There were no survivors.

Until I read the work under review* it hadn't occurred to me that my dream could come true. *Conduct Unbecoming* is the result of a similar experiment; it tells—or attempts to tell—the story of the sinking of a law firm, Finley, Kumble, custom-built by the author to accommodate only revolting human beings. It seems that somewhere back in the late seventies, Steven Kumble acquired the dubious conviction that corporate lawyers were underpaid. "Why," writes Kumble, "should a lawyer work very hard and not get paid for it? Most of the lawyers I know are better educated, brighter, and work harder than the people they represent in the business world. But they make less money. Why?" In building his firm, Kumble would correct this travesty of natural justice.

The idea was to build a truly national law firm. Over the course of the past decade, Kumble, by promising to make his partners rich, persuaded dozens of small law firms around the country to combine with Finley, Kumble. A lot of the money behind the promises was, like the money behind so many recent promises, borrowed. When Finley, Kumble declared bankruptcy in 1988, it owed $83 million to its bankers. The 750 lawyers who reached for Kumble's shimmering gold-plated ring were not, it seems, uniformly admirable. Even one of its own partners termed Finley, Kumble a "scuzz pile." And most of this book is one long, tedious illustration of this point, as Kumble unburdens himself of his hitherto concealed distaste for the men he invited onto his dream boat, and who, in 1987, one year before the firm sank, staged a mutiny and tossed him overboard.

Finley crumble

Herein lies one of the two major dramatic flaws of the tale. The reader is meant to see tragedy in the collapse of Finley, Kumble. But after about 25 pages of Kumble's descriptions of his fellow partners, I was rooting for the ship to be torpedoed. Co-managing partner Marshall Manley kept a telescope in his office, pointed towards his home, through which he ensured the fidelity of his wife. Even though he paid himself $1.7 million a year, there was no end to his demand for money; "If not stopped, [he] would push and push and push and take and take and take." Co-managing partner Andy Heine leaked damaging sto-

Michael Lewis is the author of Liar's Poker.

**Conduct Unbecoming: The Rise and Ruin of Finley, Kumble.* Steven J. Kumble and Kevin J. Lahart. *Carroll & Graf, $19.95.*

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ries about the firm to the press; he was "thoroughly arrogant and stunningly impolitic." Partner Roy Gutman nicknamed his firm "Finley Swine"; but then he "always exhibited a lack of sensitivity toward other human beings."

And then there was Harvey Myerson. Harvey was Evil. Although Kumble melodramatically accuses many of his former partners of both "destroying the firm" and trying to "kill" him, it is Myerson he blames most of all. It was Harvey who led the *coup de scuzz pile* and ran Finley, Kumble into bankruptcy. The bile brought forth by the merest mention of Myerson inspires the liveliest prose in this otherwise poorly written book (by a Harvard educated lawyer . . . with help!). Myerson is the "Agent Orange of the legal profession." He is "built like a fireplug . . . short, stocky and perpetually bathed in sweat. He wears a curly black toupee that looks like one of those old football helmets that Knute Rockne used to wear, the leather ones. And he has it in different sizes, shades, and lengths. As the month would go on, he'd change the toupee and then say something about needing a haircut. Then he'd start the cycle all over again." When Myerson became famous representing the United States Football League in its 1986 antitrust action against the National Football League, "his runty swagger became even more pronounced." Another former colleague adds that Harvey is "like a cockroach. He'll never die."

Probably you're beginning to wonder what is the point of all this. So did I. There's not much in this book about the practice of law, and not even a very clear explanation of why the firm failed. What Kumble wants mainly is to settle old scores. In doing this there seems no depth to which he will not sink; he dredges up everything from adulterous liaisons to the suicide of a partner's wife. There's a reason: By pointing out the deficiencies of his former partners, he hopes to persuade us that the messy bankruptcy of his firm wasn't really his fault. He not only wants us to loathe his former partners; he wants us to like him. And here is the book's second major dramatic flaw: The villains are more likable than the hero. The reader, forced to choose, sides with the cockroaches. For while the cockroaches are merely greedy, spiteful, and treacherous, our would-be exterminator is greedy, spiteful, treacherous, *and* hypocritical. I mean, if his former partners were so awful, why did he hire them in the first place?

The little that is useful about this book is unintentional. It demonstrates that the behavior we've come to associate with the 1980s wasn't peculiar to the world of high finance, but spilled over in the most unlikely ways into the practice of law. Just as Wall Street firms expanded in vain, so did Finley, Kumble grow more out of the partners' lust for power than for any sound economic reason. (It still hasn't dawned on Kumble that borrowing huge sums of money to buy revenues—in the form of established lawyers—might be just a tad unsound.) Even stranger is the way in which lawyers, like investment bankers, began to think of themselves less as members of a sedate profession than as risk-loving entrepreneurs. It was a convenient pose that helped them justify to themselves and to their clients their unusually high pay—a dozen partners of Finley, Kumble earned over $1 million a year.

Finally, at least a few lawyers, like more than a few bankers, really believed they were playing to a crowd. The obligatory photos in the middle of the book are of the author with the various political celebrities—Hugh Carey, Joseph Tydings, Russell Long, Paul Laxalt—he persuaded to join his firm. When Kumble is deposed, his first concern is "what public posture I should take." When his firm collapses, Kumble tries to impress us by telling us that the story ran as the *lead* business piece in *The New York Times*. Pity the poor schlepps on page 2. Like so many of our fallen idols, Steven Kumble seems the sort of fellow who reserves his highest admiration for Donald Trump. I am reserving seats for both in my next dream. □

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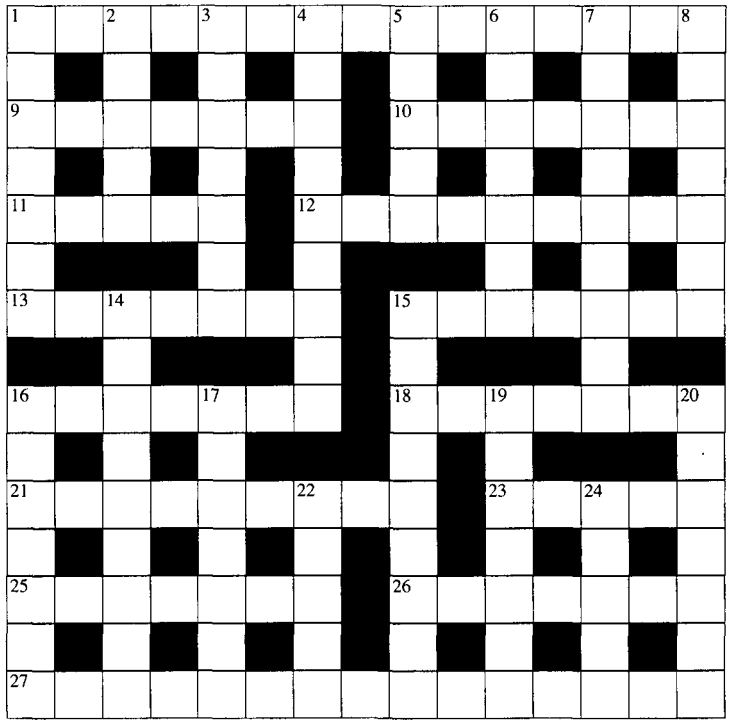
POLITICAL PUZZLE

by John Barclay

The numbers indicate the number of letters and words, e.g. (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g. USA, are treated as one word.



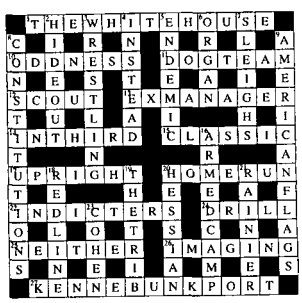
ACROSS

1. Potential peacemaker worked out cure in city locus. (8,7)
9. Hockey player accepts bite for space traveler. (7)
10. Hides from unprofessional road sign. (4,3)
11. Music group heads back for joint part. (5)
12. Rhode Island parents come to pass. (9)
13. Big argument following royal attorneys in Boston. (7)
15. Measurements as mines exploded. (7)
16. Thickening ice around end of April following discharge. (7)
18. Frequent flyer towel marking for tub types. (7)
21. Blocked out cute drain carefully. (9)
23. Foodstuff found along Morocco coastline. (5)
25. Creatures using a repeated product. (7)
26. Title is created for aristocrat. (7)
27. Body made large by lameness. (7,8)

DOWN

1. Marathon star opposing such long races? (7)
2. Castro, for example, writing immature animal article. (5)
3. Impressive lobby forces nut back in wrong road. (7)
4. Railroad feature building burnt late. (9)
5. Collected 102 Los Angeles eyelashes. (5)
6. Devised sly uses for grant. (7)
7. Arrive at 50 Main in cute outfit. (9)
8. Bar stages wry sale. (7)
14. Devastation runs true in rut. (5,4)
15. Carelessly deem birds as planters. (9)
16. Preparing to start cavalry officers club kept in new grounds. (7)
17. Cruel warden sometimes kept in reach. (7)
19. Sensible cattle roaming around middle of Indiana. (7)
20. Slam try pulled off with dispatch. (7)
22. Sound of two continents resting on last of oil. (5)
24. A reach up for average member. (5)

Answers to last month's puzzle:



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POLITICAL BOOKNOTES

Public affairs books scheduled to be published this winter.

The First Universal Nation. Ben Wattenberg. *Free Press, $22.95.* I am not always crazy about Ben Wattenberg's politics, but I admire his work. I have to. He and I sometimes seem to be the only syndicated columnists not convinced that the United States is terminal, just falling apart where we stand. My view, which he seems to share, is that the doomsday scenarios are based on the assumption that 250 million people are going to roll over and play dead. Even if they did, however, millions of immigrants are ready to take their place. The American Dream is no longer American or a dream. America is a force of nature, a global option.

So I plunged into *The First Universal Nation* with the friendly enthusiasm of a swimmer in the same lake. I loved the first 18 pages called "Thesis." This is what Wattenberg had to say: "Students, like other humans, vote with their feet. More than 360,000 foreign students are in American universities. . . . The Japanese, in short, have mass-produced and mass-marketed a machine to disseminate American culture. Thank you. . . . I don't see serious evidence that we've lost the ability to self-correct."

Then, just eight pages later, I found myself reading what amounted to obituaries of Theodore H. White, Henry (Scoop) Jackson, and Hubert H. Humphrey.

Gotcha! The book is just a disguised collection of old columns. I ground to a halt reading Wattenberg on Charles Murray, who is still very much alive. My interest in him, however, is not. Many of the columns are quite good, but who's got the time?

—*Richard Reeves*

Unlimited Wealth: The Theory and Practice of Economic Alchemy. Paul Zane Pilzer. *Crown, $19.95.* Upon opening a book written by a Texas-based real estate operator, especially a book bearing a title like *Unlimited Wealth*, one must struggle to suppress the instinct to guard one's wallet. In fact, this isn't *that* sort of book. Paul Zane Pilzer isn't promoting Houston office tower investments as a contrarian path to instant riches. What he's selling instead—with a great deal of earnestness, a certain amount of flair, and a limited portion of persuasiveness—is what he calls "the alchemic view of the world." This view boils down to the proposition that "we live in a world of effectively *unlimited* resources—a world of *unlimited* wealth," because the only resource that really matters is information, and information is becoming so plentiful that it's vanishingly close to free.

There is much to like in *Unlimited Wealth.* It recounts how technological leaps, particularly in computing and communications, have quickened the pace of economic change. It draws welcome attention to some specific consequences of technical transformations, such as the heightened vulnerability of people and nations whose prosperity rests on commodities subject to creative substitution; the diminished appeal of wars of conquest (though the Kuwaitis might quibble with this one); and, in particular, the ever-increasing importance of education and training. Pilzer's arguments are refreshingly unrooted in any single ideological camp. And his style is upbeat and affirmative. He would be an engaging seatmate on a long flight and probably a wonderful neighbor or business associate. But as a combination Keynes, Schumpeter, and Newton for the 1990s, which is the role he sets for himself, he falls short.

Beyond the irritating neologisms, catchphrases, and unremarkable propositions dressed up as Capital-Letter Laws, there are a number of more substantial failures in this grand enterprise. One of the less serious but more bizarre problems is Pilzer's obsessive drumbeat of attacks on economists and their trade, coupled with a near-total ignorance of contemporary economic thinking. He charges that "conventional economists [regard] the struggle for prosperity as a zero-sum game," that "traditional economics has always treated technology as a constant," and that while "an Alchemist creates wealth, an economist merely moves it around." To be sure, it can be great fun to throw rocks at economists, but Pilzer scornfully dismisses the whole discipline, and strides off to explore on his own a vast expanse of well-mapped terrain.

In fact, Pilzer's central contention—that ingenuity and enterprise defy limits and expand possibilities—is the heart of economic logic. He also makes what turns out to be a tactical error for a book published in early 1991 when he rests his case for the Theory of Alchemy's superiority on the failure of economists to recognize that the boom that began in 1982 was fated to go on and on and on.

Most of what Pilzer trumpets as paradigm-shattering insight is close to commonplace, while much of what's novel in his book is simply wrong. He claims that shipping technology has stagnated while production technology has surged ahead, ignoring containerization and other advances. He wildly overestimates the net effect on the American economy of investments from abroad and—ironically, in light of his abhorrence for zero-sum reasoning—suggests that whatever the host country gains from such investments, the home country loses. And as he salutes the brave new world, he displays a certain confusion about what sort of world it is. At one point he declares that "marketing philosophy has been turned on its head, for today the product often precedes the need. In the alchemic world, new products create their own demand by changing the way people behave." A hundred pages later, he assures us that "the process of innovation has been turned on its head. It used to be that an inventor would come up with some new invention and then consumers would figure out whether or not they could use it. Nowadays, we decide in advance what we could use and then we tell the scientists and engineers to invent it." Watch your head, Mr. Pilzer.

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Unlimited Wealth is, at base, a celebration of the spirit, style, and values of the 1980s. In an extended hymn to consumption, composed of several Laws of Demand-Side Alchemy, Pilzer urges us to believe that the chief advantage of Americans in the world economy is their virtuosity as consumers. The Japanese, conversely, are sure to stumble unless they overcome their quaintly bounded appetites for material goods. The book outlines a vision of a society dedicated to endlessly escalating desire and acquisition as consumer demand and technology's productive capacity leapfrog each other ever onward. In *The Affluent Society*, John Kenneth Galbraith told this tale as a combination of farce and moral fable. Pilzer tells it as heroic epic, and it is ultimately repellent.

There is a contradiction at the core of Pilzer's alchemic approach, revealed by his assertion that *"technology itself is perhaps the only store of value."* He's right that technological knowledge is increasingly abundant. But it's also diminishingly proprietary. Pilzer contends that Japan is rich and the Soviet Union poor because of their relative endowments in technology. But what Russia lacks is not so much blueprints, formulas, and hardware as the institutional and cultural infrastructure for putting technology to work. As information becomes cheap and ubiquitous, what determines relative prosperity is a people's ability to work together smoothly and efficiently, and to organize a sustainably fair pattern of distribution—in short, its capacity for community.

—*John D. Donahue*

Civil Rights Under Reagan. Robert Detlefsen. *ICS Press, $19.95.* Detlefsen's concise and provocative study makes a strong case that, for all its sound and fury, the Reagan administration barely altered affirmative action as it is practiced in corporations, universities, or even in the federal government.

During the 1980s, the Equal Employment Opportunity Commission continued to file discrimination cases, much as it ever did. The Office of Federal Contract Compliance continued to demand that federal contractors submit affirmative action plans. And the Education Department's mammoth Office of Civil Rights pretty much stayed as liberal as ever. In one of Detlefsen's many telling examples, he shows how, even as late as Reagan's second term, the Office of Civil Rights was engaging in decidedly un-Reaganesque policies—like filing a complaint against the University of California at Berkeley, of all places, for having "sexist" language in its course catalog.

It's a paradox. Why didn't this conservative administration make more headway, especially since polls show Americans leery of and even hostile towards affirmative action? Detlefsen, a political scientist who is sympathetic to the administration's self-styled "color-blind" philosophy, cites the familiar tendencies of bureaucracies to stay the course no matter who is at the helm. Assistant Attorney General William Bradford Reynolds tried to steer his Civil Rights Division of the Justice Department in a new direction. But career attorneys, Detlefsen reports, would openly cheer when Reynolds, as

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he so often did, *lost* cases. Detlefsen, though, thinks he's found another explanation for the Reagan administration's failure. The culprit: a doctrinaire, liberal "civil rights ideology" that runs Washington.

To be generous, there is some truth in this neoconservative broadside. There are a lot of liberals, and even Republicans, in positions of power who reflexively support anything called "civil rights"—even when it goes far beyond nondiscrimination to include dubious policies like racial preferences for Asian-Indians. But if the Reagan administration fell on its face, don't blame some liberal bogyman. After all, the Reagan administration steamrolled liberals on everything from defense spending to deregulation. No, it failed on civil rights because even people who are wary of affirmative action couldn't trust this administration to do the right thing. Never did it offer the necessary reassurance that it really cared about the plight of minorities.

Color-blind antipoverty programs were cut; black leaders were shunned. The Jack Kemp-style conservative empowerment agenda, with its enterprise zones and housing vouchers, might have provided some limited benefit to minorities and political benefit to an administration said to be lacking compassion. But those novel ideas failed to receive sufficient backing from the likes of Sam Pierce and wound up largely moribund. Little wonder, then, that when the Reagan crew talked "color-blind," many heard a less benign message: "Get the blacks."

Reagan had a chance to build credibility when he appointed men and women with impeccable civil rights credentials, like my friend Civil Rights Commissioner Morris Abram, a Democrat who, among other noble deeds, served as Martin Luther King Jr.'s lawyer and chaired the United Negro College Fund. But his presence, and that of others, was often overshadowed by a cast of characters, like Ed Meese, who managed to be at once buffoonish and mean-spirited. Detlefsen seems not to consider this. In fact, he all but applauds the take-no-prisoners style of one of the administration's greater embarrassments, Clarence Pendleton, the late Civil Rights Commission chairman.

For those of us who worked at the commission during the eighties, the Pendleton we knew was an instantly likable, sweet, and generous fellow. But in front of a microphone he could be a real curmudgeon. Yet Detlefsen, who relies heavily on secondary sources instead of real-life interviews, elevates the black Republican into a savvy politico capable of great thoughts and great oration. When Pendleton made his notorious remark likening affirmative action to a "plantation," he was, swoons Detlefsen, "acting on his belief that as a prerequisite to persuading ordinary blacks to abandon the politics of racial preference, he would first need to discredit the icons in whom that idea was embodied." Such gruffness, Detlefsen says, was an "idiom" that "ordinary blacks" understood. Detlefsen's account is not only patronizing but wrong. Pendleton's likening of civil rights leaders not to mistaken comrades in a shared struggle but to "charlatans" was widely seen as pigheaded by both blacks and whites (be they ordinary or extraordinary).

Detlefsen is probably right that affirmative action and a whole host of race-conscious policies are woven into the country's politics. The only chance for reform, he suggests, is the Rehnquist Court. Perhaps. But it's possible, too, that the excesses of affirmative action—such as set-asides for wealthy Cubans or lower college admissions standards, which do minorities no service—could be curbed politically, through legislation, regulation, and a bully pulpit. But it would take a very different kind of president than Ronald Reagan. Reevaluating affirmative action requires a leader who will challenge civil rights orthodoxy *and* display an equally fierce commitment to alleviating poverty. A president who did that might also begin to heal the racial fractures that divide the country. He or she could begin to assemble the great populist coalition of blacks and whites that is the stuff of Democratic dreams. Come to think of it, a president who did all that would be pretty terrific.

—*Matthew Cooper*

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A Street Is Not a Home: Solving America's Homeless Dilemma. Robert C. Coates. *Prometheus Books, $14.95.* Robert Coates, an energetic San Diego municipal court judge, wants everyone to know that the homeless problem can be solved. His new book, *A Street is Not a Home*, could prove to be the most comprehensive, well-read entry in a burgeoning literature on how to help the homeless, since the author—with the aid of a foundation grant—has arranged to send copies to 9,000 policymakers, including every U.S. senator and congressman and every city manager in the country. Ultimately, though, Coates's treatise may do little to help public officials, despite its considerable common sense and massive underpinning of research. He has done a commendable job of distilling examples of model programs that successfully help the homeless. But he has done a poor job of explaining why the overall homeless aid system continues to fail, even in the face of a mountain of research that has shown for several years how it should be reformed.

Coates's prescription for helping the homeless—throw everything but the kitchen sink at them—is better than it sounds. In the judge's view, there isn't "one solution" to homelessness

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because those living in the streets and shelters are a diverse, alienated, troubled, and extremely impoverished group. As Coates reports, about a third of urban homeless adults are severely mentally ill, another third are alcohol or drug abusers, and about 1 in 10 are ex-convicts.

His numbers on ex-convicts and substance abusers are actually on the low side, but they all go toward making the same point: The homeless need more than roofs over their heads or cheap apartments to right their lives. For without social services, rehabilitation, monitoring, and counseling, homeless adults often recycle back to the shelters and the streets. To his credit, Coates generally does not whitewash the homeless by presenting them as modern-day Okies. Nor does he mealymouth the need to tighten commitment laws, which now protect the "rights" of deranged, delusional Americans to live out of garbage cans and street gutters for years on end.

Instead, he contends that rehabilitation and social services should be tailored to reflect different homeless subpopulations. A homeless drunk, he suggests, often requires detoxification, AA meetings, lessons in personal hygiene, help in finding a job, and perhaps a transitional stay in an alcohol-free halfway house. By contrast, homeless women with children may need day care, counseling about abusive boyfriends, and practice opening a bank account or balancing a checkbook.

Coates's prescription for multifaceted support services would substantially alter the existing shelter regimen, now sometimes referred to by homeless advocates as the "three hots and a cot" system and known in the old days, when religious missions dominated skid row, as the "soup and salvation" method. In fact, most shelters still do little more than warehouse the homeless—fewer than a third of all urban shelters provide any treatment for substance abuse or mental illness, and just as few offer health care.

Still, Coates's prescription is too muddle-headed, mostly because he fails to recognize that even good solutions to homelessness are not all created equal. In one numbing chapter, he enumerates in nine pages 30 successful strategies for preserving affordable

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—Robert Greenstein, *New York Times Book Review*

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housing, ranging from tax credits for low-income housing to lobbying Congress about the S&L bailout. Elsewhere his indiscriminate approach gives short shrift to important reform efforts.

Most important, Coates's undifferentiated approach fails to emphasize that there are mistaken antidotes to the homeless crisis, too. Regrettably, he spends little time telling officials what they should *not* do. That shortcoming is critical, because when it comes to homeless assistance programs, public officials and nonprofit institutions continually reinvent a square wheel. Most cities now rely on the wrong approach: a poorly coordinated system of spartan shelters with social services often located crosstown.

Coates does in passing offer some insight into why homeless aid programs go awry. Staff burnout is one common problem; the Not-In-My-Backyard syndrome is another. But his advice about how to combat the NIMBY syndrome can be remarkably bloodless ("politicians and government need to take bold steps and stand up for unpopular programs") as is his analysis of the local fears that undergird it ("the leading citizen concern is for lack of street parking").

He is especially reluctant to criticize homeless advocates, much less suggest that the behavior of the homeless themselves may contribute to the mess. Yet homeless advocates have often exacerbated existing flaws in the homeless aid system by promoting right-to-shelter laws. In New York, Philadelphia, and elsewhere, such requirements actually helped spur an explosion of homelessness in the latter half of the 1980s, especially among families. By creating a homelessness entitlement program, however paltry, homeless advocates implicitly encouraged thousands of struggling single mothers who were unhappily doubled up with friends, relatives, or boyfriends to head for shelters. Many of these impoverished women knew that a stay in a shelter would jump them to the top of a multiyear waiting list for inexpensive public housing. To meet court-enforced mandates to shelter everyone, overwhelmed staff typically cut back social and rehabilitative services and stuffed overflow families into armories and seedy welfare hotels.

Coates ultimately shrinks from the unpleasant truth that the homeless themselves must be part of any solution. It is not enough merely to provide counseling and services to the homeless; every shelter resident except the severely mentally ill should be immediately required to take gradual steps toward becoming more self-sufficient. One of the ironies of Coates's book is that he fails to explicitly ask more of the homeless while he continually praises initiatives that forbid clients to use drugs or alcohol, carry weapons or fight, and that often require the homeless to work and to adhere to meticulous progress plans.

Coates does present one powerful counterargument to the nearsightedness of the current system. As he notes, the Band-Aid approach to helping the homeless only *seems* cheaper than his reform alternative because the costs of homelessness to the taxpayer are largely hidden. The extra cot in the rectory basement sounds inexpensive, but only when the other costs of homelessness—including vandalism, foster care for kids, revolving-door detox for chronic alcoholics, emergency welfare assistance for homeless families, and juvenile detention for homeless runaways—are ignored. One example of a price tag the taxpayer rarely sees: the San Diego police spend about $300,000 a year to lock up 90 chronic alcoholics—each of whom gets arrested an average of seven times a month.

—*David Whitman*

The Idea Brokers: Think Tanks and the Rise of the New Policy Elite. James Allen Smith. *Free Press, $24.95.* **Talking Heads: A Look at the Popular and Influential News Commentators.** Alan Hirsch. *St. Martin's, $17.95.* When Vaclav Havel appeared before a joint session of Congress last winter to argue the Hegelian point that consciousness precedes being—not the other way around as Karl Marx had posited—he sent many patriotic and politically inspired Americans into a deep depression. How is it, Americans asked themselves, that the Czechs managed to elect this exquisitely brave and eloquent intellectual as their president on their very first

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try, while we, after 200 years of practice, remain fixated on flag factories and mug shots of Willie Horton?

The answer is that democracy is a much easier notion to pay tribute to—and to cloak one's partisan rhetoric in—than to put into practice. In the United States, many of our central democratic institutions have atrophied almost to the point of nonexistence.

The two works under discussion here approach a part of this problem, and in the absence of any incipient rejuvenation of our political culture on the horizon, they begin to take on a certain immediacy. Specifically, if our politicians' rhetoric is not to be believed ("Read my lips") and Congress's ability to deal with the many complex and politically costly issues before it is not to be trusted, then just who is minding the store? Who makes the rules, and from where do our policies truly derive?

Smith, a former staff member of the Twentieth Century Fund in New York, has written a thoughtful intellectual history of think tanks in which he argues that "public policy has become almost entirely the preserve of the experts, with the idea of 'public debate' merely an anachronistic fiction." Hirsch, a suburban Maryland lawyer, argues instead for the centrality of TV opinion-commentators who, according to him, are "supplanting the newspaper op-ed page as the primary source of the public's exposure to opinion commentary."

Smith has written just about as worthwhile and provocative a book on American public policy think tanks as one could hope for. Of course, given the subject, one could not have hoped for terribly much. Smith traces the history of public policy research from its origins at the turn of the century through the glory days of the appearance of the Heritage Foundation's thousand-plus-page best-seller, *Mandate for Leadership*, in 1981. Smith provides a sophisticated analysis of many of the ideas which have animated the rise of certain kinds of think tanks, along with useful sketches of a number of the entrepreneurial personalities that lay behind them.

Smith can be great fun on some of the intraservice rivalries that plagued the conservative movement's think tanks during the Reagan presidency. The reason the American Enterprise Institute (AEI) floundered during the eighties, apparently, was that its founder, William Baroody Sr., bequeathed the presidency of the institute to his son, Bill Jr., in 1978. The latter quickly embarked upon ambitious building and expansion plans but possessed not the slenderest thread of a notion of how to pay for them. "It was like something out of a Dickens novel," explained one of Smith's sources, speaking of the institute whose primary mission was to bring sound business practices to American government. According to Smith, "there was no budget, grants came in for specific projects and were siphoned off to meet general operating expenses." Soon AEI found itself $3 million in the hole and, to the eternal chagrin of its fellows, was forced to eliminate subsidized lunches.

While Smith's history is first-rate and his prose admirably restrained, he doesn't quite demonstrate the importance of his subject. One could just as easily take a cynical view of think tanks: not that they circumscribe public debate but that they simply provide cannon fodder for political positions already mapped out. When was the last time a powerful conservative

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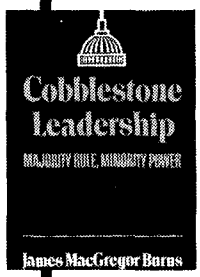

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politician read a briefing by a fellow of the Institute for Policy Studies and decided that well, yes, America really should get out of the military intervention business?

Hirsch, writing about television news commentators, seems to suffer from a malady that is almost the mirror image of Smith's. Hirsch's problem is that both his claims and his book are overly modest. As one who has been writing and researching a book on a similar subject for the past two years (and is obviously open to charges of bias on that score), I cannot but wonder if somehow Hirsch's argument got lost in Smith's subject matter. Political pundits, particularly those on television, really do play an important role in defining the boundaries of Washington's public debate. In the absence of coherent political parties, a responsible Congress, or intellectually defensible election campaigns, they are almost all we get in the way of reasoned political argument.

Yet Hirsch sticks primarily to two points, and I quote from his conclusion: "1) today's political talk shows contribute little, and sometimes even detract from the robust debate needed to sustain a healthy democracy and 2) television leads top commentators astray, making them celebrities or converting them into cartoon figures while diverting them from their finest and most socially useful pursuits."

Great points, but James Fallows made both of them more than four years ago in an essay in *The New York Review of Books* and threw in a few more besides. Most of Hirsch's book is taken up with examinations of the pathetic content of political talk shows and profiles of their performers. He has done some interviews for the book, but the research appears a bit thin. A single David Remnick profile, of "The McLaughlin Group" published in *Esquire* is cited 10 times in 35 pages.

Whereas Smith has written a brilliant history of think tanks, which is slightly undermined by the grandiose claims he makes for the importance of his subject, Hirsch has written an intelligent but overly modest and insufficiently ambitious examination of the role of television commentary. Each author apparently deserved the other's subject. But neither one, unfortunately, brings us much closer to solving the dilemma of our current political predicament.

—*Eric Alterman*

Facing the Phoenix: The CIA and the Political Defeat of the United States in Vietnam. Zalin Grant. *Norton, $22.50.* We have tried to put Vietnam behind us, particularly those parts that deal with American techniques there—and, thus, American failures there. This is a time to mourn our dead, to stand by their monument, and to forget the interminable arguments about "What went wrong in Vietnam?" So still another such book on Vietnam would seem about as welcome as an Iraqi chemical warhead lobbed to our side in the Persian Gulf.

And yet here is an unsettling book, somewhat of a new genre on Vietnam, telling us things we still didn't know and forcing us to think on new levels. In many ways, Vietnamese-speaking correspondent Zalin Grant, who worked in Vietnam during the war for *Time* and *The New Republic*, has written the first comprehensive book to deal with the real issue of America in Vietnam: the "political war" and America's mostly unknown and long-suffering "political warriors."

Grant begins this concise book with a concise conversation between an American colonel and his North Vietnamese Army counterpart, one Colonel Tu, during a meeting in Hanoi just a week before the fall of Saigon. "You know you never beat us on the battlefield," the American tells his North Vietnamese enemy. "That may be so," the Northerner responds, "but it is also irrelevant." That encounter sets the stage for this saga of the "other war"—the war whose buzz words were not "body count" but "civil action," "pacification," and "a third-force solution"; the war waged not by bombers and ground forces but, as Daniel Ellsberg put it, by "the good guys."

"I met a half-dozen guys who thought of themselves as the good guys in Vietnam," Grant quotes Ellsberg as saying. "They believed they were different from other Americans. They had Vietnamese friends, and some of them spoke the language. They didn't believe in the use of air power, but believed we should be engaged in small political operations. They were contemptuous of the French, and anxious that Americans not imitate them. Above all, they had a view of the way the war was going which was totally at odds with the official view." That is what this book is all about. It traces the parallel war of the Americans in Vietnam —the war of trying to create, impose, and cajole a different and more democratic ideology there—the war that was finally lost along with the military war. But how, and why?

The story is told through one of the "good guys" on the South Vietnamese political side, a man famous to those of us who served in Vietnam, but largely unknown in the United States: Tran Ngoc Chau, "Vietnamese nationalist, brave and incorruptible, one of the most imaginative strategists of the war in the field of political action and pacification . . . brought down by the venality of power politics involving his own government and the government of the United States." Chau went from chief of one of the South Vietnamese provinces, to mayor of DaNang, to head of the pacification program, to secretary general of the South's National Assembly. Grant uses Chau's tragic personal story as an apt parallel to the constant attempts by American political strategists to arrive at a political solution and their constant failures. In the long run, both stories are told, obviously as the result of a monumental research and reporting job and as the result of astonishing evenhandedness on the part of the author, who, despite his clear sympathies, gives everybody his fair say.

The book has a rather interesting format. The author divides it into cities, times, and important developments: Hanoi 1945, Manila 1950, Hanoi-Saigon 1954. . . . He walks through each era with the major players in this political war, men like Lou Conein, John Paul Vann, Keyes Beech, Edward Lansdale, Rufe Phillips. He tells the story of Lansdale, the most original of all the American strategists, the man who beat the Huk guerrillas in the Philippines and thought he could do the same in Vietnam. He tells the story of CIA Director William Colby, who "realized the war had to be fought at the village level" and so tried valiantly "to promote the training and arming of a local militia that could combat the

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communists in the villages both politically and militarily." He tells the story of America's own mandarin, Ambassador Henry Cabot Lodge, and his complicity in the assassination of South Vietnamese President Ngo Dinh Diem, an act that stands as the first disaster in the whole disastrous script.

But above all he tells the story of program after program of political warfare: from Chau's village corps, to "pacification," to American "agitprop cadres," to Chau's own Phoenix program and how it went from a political program designed to win over the villagers by defeating Vietcong operatives to being perceived as winning the war. Chau becomes the victim of all of these eventually perverted hopes. He is arrested by the South Vietnamese as a communist, imprisoned, left behind by the CIA he had helped, imprisoned by the North Vietnamese as a southern agent, released to remain an agent in the South, forced to flee as one of the boat people, and finally is settled in America.

"Landing in America was a great cultural shock to Chau," said the famous *Chicago Daily News* correspondent Beech, one of those valiant enough to help Chau. "Nobody knew who he was. Nobody cared. He was just another Vietnamese refugee." Indeed, Grant might have titled this book: "Chau's Story: The Cost of Being a Friend of the Americans." As Grant sums up the book: "Chau had become a symbol . . . of everything that had been lost in Vietnam." When he talks to other Americans about Chau, he finds that "I, too, felt tears welling in my eyes as we spoke. But the tears, I knew, were not so much for Chau, as for ourselves."

Grant is generally a good judge of character (except in a small reference to me in Vietnam, he calls me "staid," which certainly shows he did not know me), and the whole story, the new parts as well as those that have been told before, comes alive. But, most unfortunately, the book falls down in the area of context, in deeper explanations of what went wrong, in the absence of any analysis of what in the end made it impossible for America to form new cadres and a new culture in the same way that the communists did.

The question was not so much "How did a conventional anti-invasion force fight an unconventional internal guerrilla force?" (in Grant's words) but "How can a great unstructured and miasmic culture like America's, in times of fanaticized nationalism, create an alternate moderate nationalism that will win a fanaticized war?" (in my words). The answer—both of reality and of this book—is that it cannot.

The simple truth of Vietnam—and of so much of the conflict between communism and democracy in the Third World between 1945 and 1989—is that when a single-minded, fanatic, nationalistic ideology takes root in a country, our diffuse and random political efforts do not have a chance. The asymmetry of these sides is too great. A policy like ours, with so many antagonistic actors, with so much disagreement, with such an unfocused purpose, cannot possibly win in the short run against the fatalistic, pure, sublimely anticolonialist true-believers.

Communist ideas permeated Asia, Latin America, Africa, and the Middle East in those four decades by winning the complete confidence of an elite corps of true believers. When American ideas sank in, they did so through example, for at the very core of American democracy is the idea that there should be no one "political culture" or set of goals similar to the communists'. So in the end, the inner confusion of this story only mirrors the inner confusion of democracy—the inevitable inner confusion inherent in forming societies.

In the end, of course, something curious happened: It was "the example" that won. And after the collapses of communism in 1989, everyone in the world could see that, while communism was brilliant in those early, traumatized years of anticolonialism in forming tight-knit totalitarian movements, it was a disaster in forming working economies and long-term, viable political structures.

—*Georgie Anne Geyer*

World on Fire. George Mitchell. *Scribner's, $22.50.* Consider coal. When burned, usually to generate electricity, it causes two distinct problems. First, it gives off a variety of traditional pollutants, including the sulfur compounds that produce acid rain. Most of these pollutants can be removed by

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burning cleaner types of coal, by "washing" the coal before it is burned, or by "scrubbing" the emissions as they leave the smokestack. Second, burning coal gives off vast amounts of carbon dioxide, the chief cause of the greenhouse effect. There is no practical way to reduce the amount of carbon dioxide from coal combustion. That is, you could burn coal completely cleanly—not a hint of acid rain—and still destroy the environment.

Senate Majority Leader George Mitchell does not seem to grasp this completely. At one point in his new book, he says, quite correctly, that if the Third World develops using "traditional energy sources," especially coal, "the ecosystem couldn't stand it. It would amount to ecocide." The greenhouse effect and other problems "rule out even a doubling of energy use based on the present mix of energy sources." He seems to face the problem squarely, and he names the source of greatest danger—China, which has half or more of the world's coal reserves and is currently committed to rapid increases in coal consumption. Later in the book, however, when he starts listing recommended solutions to our problems, Mitchell has this to say about coal: "The good news is that there's a lot of it. The bad news is that it's a dirty fuel. . . . But its sheer quantity (at current production rates existing world reserves would last nearly three centuries) makes it imperative that we improve technologies to burn it more efficiently and cleanly."

Because China has so much coal, Mitchell says, "a universally available, truly clean coal technology would be of great benefit." As I said, though, while you can burn coal "cleanly" with respect to acid rain, you cannot do so with regard to global warming. Barring a technological miracle, burning that three centuries' worth of coal (or even half a century's worth) may set in motion the "ecocide" Mitchell fears. In other words, there's not a lot of room for compromise about coal.

This may seem a picky point. I confess a strong temptation to praise Mitchell's book and leave it at that. After all, it shows a man of considerable power to be a committed, engaged environmentalist. That is a more hopeful development for the planet than a new electric car design or a quantum increase in photovoltaic efficiency.

Still, the coal business bothers me. It is probably the most important energy question the world faces, and it has considerable domestic repercussions—the new Clean Air Act, whose passage is greatly to Mitchell's credit, strongly encourages expensive clean coal technology to combat acid rain, an expenditure that may lessen the chances that we'll soon shut down those coal-fired plants as we should to fight global warming. More than that, the coal example shows the muddle you can get in if you don't set priorities.

Mitchell seems equally alarmed by each of his "five horsemen of the environmental apocalypse"—ozone destruction, overpopulation, tropical deforestation, acid rain, and global warming. I have no wish to downplay any of these, but acid rain is not really in the same league as the other four. This is a measure of the others' magnitude, not of acid rain's insignificance. But acid rain *can* be stopped without fundamental alterations to our economy—we need to buy some new hardware and get clean-burning coal from Wyoming, instead of the highly sulphuric kind from West Virginia. In the same way, ozone depletion can be solved fairly easily by the substitution of one set of synthetic chemicals for another. The price of a fridge may go up a bit, but it's no big deal. In fact, the ozone problem is so comparatively easy to deal with that we've already done so. The large industrial nations of the world have negotiated an unprecedented series of treaties that should all but eliminate chloroflorocarbons (CFCs) by century's end. Granted, those CFCs already in the atmosphere will work their damage for a hundred years to come, but at least we've acted.

But the remaining trio of problems, particularly global warming, offers difficulties of an entirely different nature. They can be solved only by basic changes in attitude and behavior—by rejecting business as usual. And business as usual, despite his very sincere alarm, is just what Mitchell can't bring himself to reject. For instance, he acknowledges that even the most ambitious current goals for carbon dioxide reduction—20 percent sometime in the early part of the next century—are not enough to "make a notable difference." Since the Third World nations must expand their economies, the "best thing may be for the rich nations of the world to set a goal of halving their carbon dioxide emissions by 2020." This is, I think, an honest and forthright appraisal. It recognizes that we are in a potentially dire predicament. Why, then, does he say some pages later, while answering President Bush's moronic attacks on environmentalists, that "nobody is advocating extreme measures. There is no huge politically motivated call for drastic revisions of our economy and society."

If we are going to cut our carbon dioxide output 50 percent, or even 20 percent, in less than 30 years, "drastic revisions of our economy and society" are precisely what we'll need, for our economy and society are based to a remarkable degree on the consumption of cheap fossil fuel. Not all these changes will be *unpleasant*—an overhaul of our transit system so that we begin to phase out passenger cars, for instance, would help immensely, and we might learn to like bikes and buses. At the very least, we need to drastically downsize our cars (a notion defeated this fall in Mitchell's Senate, despite Saddam Hussein's best efforts). Many of our cherished notions about mobility, about acquisition, about convenience will need to change and change quickly. So it is a disservice for Mitchell to undercut his alarming message with soothing reassurances—while it may make environmentalism more palatable in the short run, it is as unwise as failing to prepare the country for a war before it begins.

One grants politicians a certain amount of latitude to play pollyanna, of course, and Mitchell does not for the most part abuse this privilege. *World on Fire* is honest, it hits hard, it should scare everyone who reads it. (One hopes Mitchell's primary audience will be fellow congressmen, who seem a good deal less scared about the environment than most of their constituents.) But his uncompromising picture of the world we face makes his ducking and trimming over solutions more of a disappointment. If as he says, we face an "ecological holocaust," if "the planet earth is sending out distress signals," if what we face is a "nightmare world," then we can change. Lead and we'll follow.

—*Bill McKibben*

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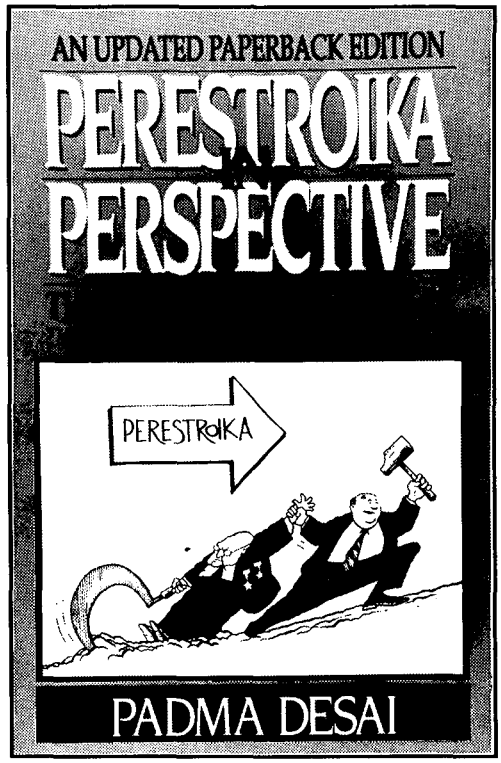

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